Benefits for Employees in Career Transition

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Introduction

This booklet has been prepared by the Retirement and Insurance Service of the U.S. Office of Personnel Management (OPM) especially for employees who are, or may be, facing a career transition because of an action such as a reduction in force or transfer of function. The booklet pulls together, in one document, most of the information you may need about the major pieces of the Federal employee benefits package.

This booklet answers many of the common questions of employees who go through a career transition. Even if you do not expect to be directly affected by a career transition, the information may be of interest to you to assess your benefits and plan for the future.

This booklet is organized so that you only need to read the parts that interest you. The parts are arranged by the type of career transition you will make.

> **Part I of this booklet talks about advance planning you can do to make a transition as smooth as possible.**
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> **Part II covers eligibility for an immediate annuity, and related benefits.**
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> **Part III is for people who are not eligible for an immediate annuity.**
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> **Part IV of this booklet answers commonly asked questions concerning your Thrift Savings Plan account if you leave the Federal service.**
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> **Part V discusses two provisions of Social Security law that affect many Federal employees' Social Security benefits -- the Windfall Elimination Provision and the Government Pension Offset.**
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> **Part VI addresses issues related to changing jobs without a break in service, such as the effect of accepting a temporary position in lieu of separation, on your benefits.**
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> **Part VII discusses benefits for people who return to Federal employment after a break in service.**
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> **Part VIII talks about doing business with OPM's Retirement and Insurance Service (RIS), the administrator of the Civil Service Retirement System (CSRS) and the basic benefit piece of the Federal Employees Retirement System (FERS).**

Part IX contains several checklists and worksheets you should find helpful in assessing your own situation.

If you are primarily interested in Federal Employees Health Benefits (FEHB), your FEHB coverage at retirement is explained on page 14. Conversion and Temporary Continuation of Coverage rules, if you are not eligible to retire, or to continue your present FEHB coverage into retirement, are on pages 24-27, with some further information in the questions section on page 30.

At times the information in this booklet is quite detailed because of the technical nature of the subject matter. In other instances, we have provided references to other OPM publications that discuss topics in more detail, or publications of other agencies, such as the Federal Retirement Thrift Investment Board. These publications should be available from your servicing personnel office. A number of them also may be downloaded from the retirement forum on OPM's Mainstreet Bulletin Board. Instructions for downloading them are in Part IX of this booklet.

PART I

Advance Planning

Regardless of whether you are facing an imminent separation or you just want to see what your options are, the more planning you can do in whatever time is available, the more smoothly your separation can be if it happens. The checklists in Part IX can help you with this planning.

Documentation of Service

Make sure that all of your civilian and military service is documented in your Official Personnel File (OPF), including any service that was not subject to retirement deductions. Ask your personnel office to prepare a "Certified Summary of Federal Service" (SF 2801-1 or SF 3107-1).

Benefit Estimate You should request information from your employing agency on what your benefits will be if your Federal employment ends. If you are not sure if you will be eligible for an immediate or deferred CSRS or FERS annuity, find out. If you are eligible for any annuity, you should request an annuity estimate from your agency. Even if you are not eligible for an annuity now, an estimate of the deferred benefit that you may get later will help you to make the very important decision whether to leave your money in the retirement fund for a deferred annuity or to take a refund.

If there are deposits or redeposits that you could make for civilian or military service, you also should get an estimate of the amount(s) due and the difference that payment would make in your annuity.

Military Deposit If you have post-1956 military service that you want to use in your annuity, but that you have not paid for, you should request a statement of your military earnings from your former branch of the service, if you have not already done so. Since military deposits are made to the employing agency before separation, it is always a good idea to find out what your military earnings were in case you need to make the deposit quickly. For CSRS, the deposit is 7% of your military basic pay. For FERS, it is 3%. (A lower rate may apply to you if you are under CSRS Offset or FERS coverage and had military service after August 1, 1990, that interrupted your civilian service. Ask your agency for additional information.)

In addition, since unpaid deposits are also charged market interest that changes each year (it is 6.875% in 1996), you may want to complete the deposit to minimize interest charges. Part IX of this booklet has a copy of the form to use to request your military earnings. (Note: If you were first employed under the CSRS before October 1, 1982, you will retire under CSRS, and you **will not** be eligible for Social Security benefits at age 62, you do not need to make this deposit.)

Deposits and Redeposits for Civilian Service If you are eligible for an immediate annuity, you can pay any deposits or redeposits for civilian service to OPM when your annuity is adjudicated.

If you plan to receive a deferred annuity, you need to check to see if you need to make any deposits or redeposits for civilian service before separation. If you must make payment for civilian service to **qualify** for a deferred annuity, this payment must be made before you separate.

However, if you're already eligible for a deferred benefit without making the deposit or redeposit, you may pay deposits or redeposits to OPM after separation. Interest charges will continue to accrue. See Part III for further information.

Pre-Retirement Seminar If you expect to receive an annuity, try to go to a pre-retirement seminar, if you have not already done so. If you are not sure about whether to leave your retirement deductions in the fund, or to take a refund, attending a pre-retirement seminar will help you learn more about what you and your survivors can receive from CSRS or the FERS basic benefit, the Thrift Savings Plan, and Social Security because of your Federal employment.

Thrift Savings Plan (TSP) Benefits Your agency should also be able to give you information on your options concerning your TSP account, along with estimates of income under the options. Since the TSP is a plan for long-term retirement savings with special tax advantages, you cannot withdraw your account while you are still a Federal employee. However, if you separate for 31 or more calendar days you may withdraw your account.

When you leave Federal service, your agency must give you a Withdrawal Package that includes TSP withdrawal forms and the booklet "Withdrawing Your TSP Account". The booklet describes your TSP withdrawal options and the procedures for withdrawing your account. Your agency must also provide you with a copy of the notice "Important Tax Information About Payment from Your Thrift Savings Plan Account".

Social Security Request an estimate of your Social Security

Benefits. Call Social Security's toll-free number, 1-800-772-1213, 24 hours a day, and ask for Form 7004, Request for Personal Earnings and Benefit Estimate Statement (PEBES). The benefit statement includes a year-by-year breakdown of Social Security earnings for years after 1951. Pre-1951 earnings are summarized. Estimates that you receive from Social Security are not adjusted for the Windfall Elimination Provision or the Government Pension Offset, two provisions of Social Security law that affect many Federal employees. See Part V of this booklet for further information.

Using Accrued Annual Leave to Qualify for Retirement Employees separated from Federal employment by reduction in force (RIF) may be very close to retirement eligibility on the effective date of the RIF. Normally employees are entitled to a lump sum payment for their annual leave balance upon separation.

However, instead of making a lump sum payment, agencies are permitted to keep you on their rolls, in an annual leave status, past the effective date of your RIF, if you will become eligible for an immediate retirement (or to carry health benefits coverage into retirement) during the period represented by the amount of your accrued annual leave. If you are retained on annual leave, you are not entitled to any further RIF offer. For example, suppose that Paul is 49 years and 10 months old, has 22 years of service, and faces separation under RIF procedures in 3 weeks. Under some circumstances, if Paul has enough accrued annual leave to his credit to carry him to age 50 and retirement eligibility, his agency could approve his request to extend him beyond his RIF date.

If you think this provision could benefit you, check with your personnel office.

Eligibility to Continue Federal Employees Health Benefits (FEHB) and Federal Employees Group Life Insurance (FEGLI)
You also need to find out if you will be eligible to continue your FEHB and FEGLI coverage, and what your options are if you are not eligible to continue these coverages.

Military Retired Pay Normally, you cannot receive military retired pay if you also use your military service in a CSRS or FERS annuity. If you are a military retiree and plan to use your military service in a CSRS or FERS annuity, you probably will need to waive your military retired pay before your annuity begins.

The exception is that people whose military retired pay is based on (a) a service-connected disability either incurred in combat with an enemy of the United States or caused by an instrumentality of war and incurred in the line of duty during a period of war, or (b) under the provisions of Chapter 1223, Title 10, U.S.C. (pertaining to retirement from a reserve component of the Armed Forces) can receive both the military retired pay and a civil service benefit that includes credit for the military service.

If you want to waive your military retired pay, to avoid an overpayment, send your waiver to your military retired pay center 60 to 90 days before your separation. Your agency can give you sample waiver language.

Other Benefits   You also need to check on other benefits -- for example, benefits earned in non-Federal employment, private insurance policies, IRA's, and mortgage clauses so that you make decisions with your complete financial picture in mind. You also may want to consult with a financial advisor or accountant.

Note: YOUR RETIREMENT COVERAGE

If you are uncertain what retirement system covers you, a recent personnel action (SF 50 or equivalent) or your pay slips should provide this information. If you have any questions about the correctness of your retirement coverage, request a review by your servicing personnel office.

Part II

Benefits If You Are Eligible For An Immediate Annuity

An immediate annuity means a CSRS or FERS annuity that begins to accrue not later than 1 month after your date of separation from Federal service. If you separate after meeting the requirements for a FERS MRA + 10 annuity, it is an immediate annuity, even if you postpone the commencing date.

Regular CSRS and CSRS Offset Retirement

Under CSRS and CSRS Offset, you may retire at any of the following age and service combinations and receive an immediate annuity:

Age	Minimum Years of Service
62 or over	5
60 - 61	20
55 - 59	30

To receive any nondisability CSRS or CSRS Offset annuity, your service must include at least 5 years of civilian service. In addition, you must have been covered by the CSRS for at least 1 year within the 2 year period immediately preceding the separation on which your annuity is based.

Civilian service for CSRS and CSRS Offset benefits can include service for which you received a refund of retirement deductions and service not covered by retirement.

Military service performed before your separation is creditable if it was active service and terminated under honorable conditions. In addition, you must make any required deposit, and if applicable, waive military retired pay.

Service in the National Guard generally is not creditable except when ordered to active duty in the service of the United States. However, certain service that interrupts civilian service after August 1, 1990 is now creditable. See Retirement Facts 2 or ask your personnel office for more information.

Regular FERS Retirement Under FERS, you can retire at any of the following age and service combinations and receive an immediate annuity:

Age	Minimum Years of Service
62 or over	5
60 - 61	20
MRA	30
MRA	10 (reduced benefit)

To receive any nondisability annuity under FERS, your service must include at least 5 years of creditable civilian service and you must separate from a position with FERS coverage.

For FERS, creditable service includes service for which FERS deductions were made and not refunded, nondeduction service prior to 1989 if you pay a deposit for the service, and CSRS service. The same rules apply under FERS as under CSRS to credit military service. In addition, you must pay a deposit for military service performed after 1956 if you want to use the service in an annuity.

You are eligible for an immediate annuity the first day of the month after you reach the Minimum Retirement Age, or MRA, if you completed at least 10 years of creditable service, including 5 years of civilian service. The following chart shows the Minimum Retirement Age.

Minimum Retirement Age

If you were born	Your MRA is age
Before 1948	55 yr
In 1948	55 & 2 months
In 1949	55 & 4 months
In 1950	55 & 6 months
In 1951	55 & 8 months
In 1952	55 & 10 mo.
In 1953-1964	56
In 1965	56 & 2 months
In 1966	56 & 4 months
In 1967	56 & 6 months
In 1968	56 & 8 months
In 1969	56 & 10 mo.
In 1970 & after	57

Discontinued Service Retirement Because of an Involuntary Separation

Involuntary separation for retirement can be a result of a reduction in force, abolishment of your position, reassignment outside your commuting area when there is no mobility agreement, and other similar actions.

Following an action such as one of

those listed above, you may become eligible for discontinued service retirement, or DSR, under CSRS or FERS. However, a separation for cause on charges of misconduct or delinquency does not qualify for DSR. The age and service requirements are 20 years of service at age 50, or 25 years of service at any age. This must include 5 years of creditable civilian service under FERS, CSRS or CSRS Offset, and separation from a position covered by retirement deductions.

Notice You must receive a written notice directed to you personally informing you that you face involuntary separation from your position, and from Federal service, specifying the reason for the action, and stating the date the action will be effective.

Reasonable Offer If your agency makes a "reasonable offer" of employment of another position in your agency, you do not qualify for discontinued service retirement. A reasonable offer must be in writing, you must be qualified for the position, it must be within your commuting area (unless you are under a mobility agreement), it must be of the same tenure (i.e. the same service, same type, and same work schedule), and the position must not be lower than the equivalent of two grade/pay levels below your current grade or pay level.

"Commuting area" means the geographic area that usually constitutes one area for employment purposes. It includes any population center (or two or more neighboring ones) and the surrounding localities in which people live and reasonably can be expected to travel back and forth daily in their usual employment. Agencies establish commuting areas for their employees.

For example, if Bob, who is a 52 year old GS-11, full-time career employee with 26 years of service, is offered a GS-9 position in his commuting area and he is qualified for the position, this is a "reasonable offer", and Bob would not be eligible to retire under DSR. However, if the position offered is a GS-7, it would not be a "reasonable offer". Bob could decline it and be eligible to retire under DSR.

Age Reduction Under CSRS DSR rules, if you are under age 55, your annuity rate is reduced by one-sixth of 1% for each full month (2% a year) that you are under age 55.

Under FERS there is no age reduction, but retirees who are under the MRA do not receive the FERS retiree annuity supplement until they reach the MRA. In addition, if you transferred to FERS and part of your benefit will be computed under CSRS rules, the CSRS age reduction applies to the CSRS part of your benefit.

Note: Under Public Law 104-106, approved February 10, 1996, a Department of Defense (DOD) employee who volunteers for separation is considered involuntarily separated. A separation under this provision qualifies for DSR if his or her request is accepted, assuming the person also meets other requirements. This authority expires on September 30, 1996. See your agency personnel office for more information.

What is Early Voluntary Retirement?

OPM may permit early voluntary retirement, or "early out" for employees of an agency, or a segment of an agency undergoing a major RIF, a major reorganization, or a major transfer of function, when requested by the agency concerned. When OPM authorizes early retirement, an employee who is covered by this authorization may apply to retire on an immediate early voluntary annuity if he or she satisfies all of the following conditions.

Conditions for an Early Voluntary Retirement

- You may retire at any age with 25 years of service, or you must be at least age 50 with 20 years of service.
- You must have at least 5 years of civilian service.
- You must separate from a position covered by retirement deductions.
- You must have worked for the agency for which the early retirement is authorized, for at least 30 calendar days before the agency's initial request to OPM, and must have remained continuously employed by the agency, without a break in service of 4 or more days since that time.
- You must separate by the end of the last day of the early out period authorized by OPM, or by the closing date of the authority established by the agency, whichever comes first.
- If you are under CSRS, you must be covered by the CSRS for at least 1 year within the 2 year period immediately preceding the separation on which your annuity is based.

If you are under CSRS and under age 55, your annuity rate is reduced by one-sixth of 1% for each full month (2% a year), that you are under age 55.

There is no age reduction in FERS, but you do not receive the retiree annuity supplement until you reach your MRA. If you have a CSRS component in your annuity, this portion of your benefit is reduced according to CSRS rules as described above.

Choice of Voluntary or Discontinued Service Retirement

Some people are eligible for more than one kind of retirement; for example if you are age 57 with 31 years of service you qualify for a regular voluntary retirement. If your job is also being abolished, in this example, you can choose whether to have your retirement processed as a voluntary retirement or discontinued service (involuntary) retirement. The choice is yours.

Your choice may depend on your interest in future Federal reemployment, and the possible effect on eligibility for other benefits such as State unemployment or retraining benefits.

If you think you might want to return to Federal employment, you will qualify for selection priority if you separate after having received a notice that your position was surplus or a notice of proposed separation. Read Part VII of this booklet for the rules concerning your benefits, especially retirement, upon reemployment.

Voluntary Separation Incentives (VSI) If you retire on or after March 30, 1994, receive a VSI payment (buyout), and are considering returning to work with any part of the Federal government, carefully read the information below.

Currently, most non-defense agencies cannot offer new voluntary separation incentive payments (buyouts). However, under 5 U.S.C. 5597, the Department of Defense has the authority to offer buyouts through September 30, 1999, and some non-defense employees may still receive buyouts through March 31, 1997, under the "delayed separation" provision in Public Law 103-226, the Federal Workforce Restructuring Act of 1994.

Employees who elect to separate with a buyout will need to consider that, in most cases, the employee is required to repay the entire amount of the buyout if the employee accepts employment of any length, under any appointment authority, in any entity of the United States Government, for a period of 5 years after separating with a buyout. Additionally, buyouts are only payable when the employee separates voluntarily, whether by optional retirement, voluntary early retirement, or resignation. If the separation is involuntary (i.e., discontinued service retirement, or RIF separation), the employee cannot receive a buyout.

Retirement and Unemployment Benefits The States (and the District of Columbia) determine eligibility for unemployment insurance benefits and job retraining programs. The rules vary from State to State. In some jurisdictions, receipt of any annuity makes you ineligible for State benefits. In other States, you may be eligible for benefits if your separation was involuntary, but not if it was voluntary. Before separation, you should ask your State employment office what your records must show concerning the way your separation is processed in order to obtain eligibility for State benefits, and let your personnel department know. (Also see the section on unemployment insurance in Part III.)

How CSRS Annuities Are Computed

Your annuity is based on your length of service and "high-3" average pay. Although unused sick leave is included in an immediate annuity computation, it cannot be used to make you eligible for an annuity.

Adding Up Your Service To determine your eligibility to retire, add together the years, months, and days of your periods of civilian and military service. (If you have any intermittent, or "WAE" service, you only get credit for days worked.) Once you determine that you have enough service to retire, add your unused sick leave to your service. Then drop any left over days from the total. Your "high-3" average pay is the highest average basic pay you earned during any 3 consecutive years of service. Your basic annuity cannot be more than 80% of your "high-3" average pay, unless the amount over 80% is due to crediting your unused sick leave.

The Basic Formula Your yearly basic annuity is computed by adding (a) 1 1/2% of your "high-3" average pay times service up to 5 years; (b) 1 3/4% of your "high-3" pay times years of service over 5 and up to 10; and (c) 2% of your "high-3" pay times years of service over 10. However, your annuity may be reduced for any of several reasons. See the section on reductions below.

A Quick Estimate A quick way to estimate your annuity is to determine your total length of service and subtract 2. Multiply that result by 2 (34 - 2 x 2 = 64 in the example below), and use that as a percentage of 90% of your final salary.

If, for example, you have 34 years of service and your final salary was $50,000 per year, your annuity would be approximately $2,400 per month. (34 years of service minus 2 = 32 multiplied by 2 = 64. Ninety percent of $50,000 is $45,000. Sixty four percent of $45,000 equals $28,800, or $2,400 per month. This quick formula is not precise, but it allows you to estimate your benefits. If you are CSRS-Offset, the offset may have to be applied. (See reductions below.)

Note: If you received a refund for service that ended on or after October 1, 1990, and have not paid a redeposit for this time, it will count toward eligibility to retire, but the time will not be used in computing your annuity. Likewise, if you performed service not covered by retirement on or after October 1, 1982, and have not made a deposit for this service, it *will count for eligibility to retire, but not count in computing your annuity. For example, Sue has 2 years of service under a term appointment she had in 1988 and 1989. The service counts toward her having 30 years of service to retire, but if Sue does not pay a deposit for it, her annuity will be computed on the basis of 28 years of service.*

Reductions Reductions are made in the following order:

Age If you retire under the DSR or early voluntary retirement ("early out") rules, your annuity rate is reduced by one sixth of 1% for each full month (2% a year) that you are under age 55.

Pre-October 1, 1982 deposit service If you did not pay a deposit, plus interest, for service performed prior to October 1, 1982, during which no deductions were taken from your pay, your basic annuity will be reduced 10% of the amount owed.

Survivor benefits Your annuity will be reduced if you provide, or are required to provide, a survivor annuity for a spouse or former spouse. If you are married, your annuity will be reduced automatically to provide the maximum survivor annuity for your spouse, unless you and your spouse jointly agree to provide a lesser amount or none at all. Your spouse's survivor annuity would be 55% of your basic annuity or any lesser amount you and your spouse agree to. Your annuity would be reduced by 2 1/2% of the first $3600 in basic annuity and 10% of the remainder of your basic annuity.

Actuarial reduction for redeposit
If you did not redeposit a refund for a period of service ending before October 1, 1990, your annuity will be reduced. The amount of the reduction depends on the amount you owe and your age at retirement.

CSRS Offset reduction If you are covered by CSRS Offset retirement rather than regular CSRS, you are also covered by Social Security. Your CSRS Offset annuity is reduced, or offset, by the value of your Offset service in your Social Security benefit. The offset begins when you become eligible for Social Security, normally at age 62. If you never become eligible for Social Security, there is no offset.

How FERS Annuities Are Computed

Your benefit is based on your "high 3" average pay. This is figured by averaging your highest basic pay over any 3 consecutive years of creditable service.

To determine your length of service, add all of your periods of creditable civilian and military service, then eliminate from the total any fractional part of a month.

Generally, your benefit is calculated according to the following formula:

1% of your high 3 average pay

times

years (and months counting as a fraction of a year) of creditable service.

If you retire at age 62 or later with at least 20 years of service, a factor of 1.1% is used rather than 1%.

FERS annuity with a CSRS component You may have a CSRS component if you transferred to FERS and had 5 or more years of non-CSRS Offset service. If you have a CSRS component in your FERS computation, that component is computed under the CSRS formula. If you are eligible to have part of your annuity computed under CSRS rules, you also will receive credit for the lesser of: 1) the amount of sick leave you had when you transferred to FERS or, 2) the amount you have when you retire. If you retire under the DSR or "early out" rules and are under age 55, the CSRS age reduction rules apply to this part of your benefit. (See the previous section on how CSRS annuities are computed.)

Survivor benefits A married retiree's annuity is automatically reduced to provide spouse survivor benefits unless you and your spouse agree to waive those benefits. You also can jointly agree to a half benefit. The reduction for a full spousal benefit is 10% of your annual annuity, and 5% for a half benefit. The survivor annuity is 50% of the base you select. A court order may require that a retiree provide a survivor annuity for a former spouse, and a retiring employee can also elect a benefit for a former spouse.

MRA + 10 benefits If you retire under the MRA + 10 provision with at least 10, but less than 30, years of creditable service, your annuity will be reduced if it begins before age 62. The exception to this is if you had a least 20 years of service, and you are at least age 60 when your annuity begins. The reduction is 5% per year for each year that you are under age 62 when your annuity begins (5/12ths of a percent per month). You may lessen or avoid the reduction by postponing receipt of your MRA + 10 annuity.

Retiree annuity supplement The FERS retiree annuity supplement is paid as an annuity until you reach age 62. This supplement approximates the value of your FERS service in your Social Security benefit. You may be eligible for a retiree annuity supplement if you retire-

- after your MRA with 30 years of service.
- at age 60 with 20 years of service.

- beginning at your MRA if you retire based on involuntary or voluntary early retirement.

The retiree annuity supplement is not payable if you retire under the MRA + 10 rule.

If you have earnings from wages or self-employment that exceed the Social Security annual exempt amount, your supplement will be reduced or stopped. In 1996 the exempt amount is $8280.00.

Disability Retirement

Under the CSRS, if you have become disabled, you may be entitled to a disability annuity if you meet the following requirements-

- you must have completed at least 5 years of civilian service.
- while employed in a position covered under the CSRS, you must have become disabled for "useful and efficient service" in both your current position and any other vacant position at the same grade or pay level for which you are qualified.
- your disability must be expected to last at least 1 year.
- your employing agency must determine that you are not qualified for reassignment to any other vacant position within your agency and your commuting area at the same grade or pay level of the position you currently occupy.

FERS eligibility rules are the same except that, under FERS, you can qualify for a disability benefit after 18 months of service.

You or someone acting for you normally must file an application for disability retirement with the U.S. Office of Personnel Management either before you leave Federal service or within 1 year after you leave.

If you are a CSRS Offset or FERS person, you must also file for Social Security disability benefits. If you qualify for the Social Security benefit, the law requires that OPM reduce your CSRS Offset or FERS benefit.

If you are eligible for any nondisability annuity, you should be sure that filing a disability application would be to your advantage. For example, if you are age 56 with 20 years of service, your annuity rate would be the same under CSRS disability and "early out" provisions. In addition, a disability retiree's annuity may stop if post-retirement earnings indicate recovery, while there is no similar rule for the early out retirees.
Retirement Facts 4, "Disability Retirement Under the Civil Service Retirement System", has further information about disability annuities. See the booklet "FERS" (RI 90-1) for information on how FERS disability benefits are computed. Your

personnel office should have these pamphlets and other information on disability retirement.

Federal Employees Health Benefits (FEHB)

Your FEHB enrollment continues without change in benefits or cost if you retire on an immediate annuity, you are enrolled at the time you retire in an FEHB plan, and have been enrolled (or covered as a family member) for the 5 years of service immediately before retirement, or, if fewer than 5 years, all service since your first opportunity to enroll.

If you do not meet the 5-year participation requirement, OPM can waive it if we determine that, due to exceptional circumstances, it would be against equity and good conscience not to allow you to continue your FEHB coverage. You should review this with your agency personnel office if you have questions.

If you are not eligible to continue coverage as a retiree, you may convert it to a private policy or enroll for Temporary Continuation of Coverage (TCC) when you separate.

If you separate from service under the FERS MRA + 10 provision, but postpone the commencing date of your annuity to reduce or avoid the age reduction, you may convert to a private policy or enroll for TCC when you separate. You may reenroll in the FEHB program when your annuity begins.

For information about converting your health insurance to a private policy or enrolling for TCC, see the FEHB information in Part III of this booklet.

Federal Employees Group Life Insurance (FEGLI)

Your Basic Life insurance coverage may continue after you retire if you retire on an immediate annuity, have been enrolled in Basic Life for the last 5 years of service immediately before retirement, or, if fewer than 5 years, the entire periods during which it was available to you, and you (or your assignee) do not waive coverage or convert to an individual policy. Similar rules apply to options A, B, and C. There is no waiver of the 5-year participation requirement for FEGLI.

If you are not eligible to continue some or all of your FEGLI coverage into retirement, you may convert some or all of it to a private policy. (For example, Jim wants to convert his Option B coverage to a private policy because he just acquired it 2 years ago.) You also may convert to a private policy even if you are eligible to continue coverage into retirement.

You are entitled to convert your FEGLI coverage without regard to your health condition.

If you are in good health and would not have a problem passing an insurance physical examination, you may also want to consider purchasing a term insurance policy, rather than converting your Federal insurance if you are not eligible to continue it into retirement. You should check the relative coverage and cost of converting your coverage, versus purchasing a new policy. A financial advisor may be able to help you with such decisions.

If you separate under the FERS MRA + 10 provision, but postpone receipt of your annuity to reduce or avoid the age reduction, your FEGLI coverage stops when you separate. You may then convert your coverage to a private policy. If you are otherwise eligible to continue FEGLI as a retiree, you may reenroll when your annuity begins. Note, however, that if you postpone receiving your annuity and die before it begins, your survivors will not be paid any FEGLI benefit, unless you converted your insurance for the delay period to provide coverage. You may also want to consider a term policy that you purchase on your own if you are in good health.

Lump Sum Annual Leave Payment

Except for certain statutory limitations, if you are covered by the annual leave laws or other authorized leave systems, you are, upon separation from the Federal service, entitled to receive a lump sum payment of the annual leave to your credit. This is paid by your agency soon after your last paycheck.

Questions and Answers

What is the special formula for Law Enforcement and Firefighter Personnel?

The basic annuity of a CSRS employee who retires under the special provision covering law enforcement and firefighter personnel is 2.5% of the "high 3" average pay multiplied by 20 years of law enforcement service and/or firefighter service (50%), plus 2% of the "high 3" average pay multiplied by all service over 20 years for CSRS.

The special formula for FERS is 1.7% of the high-3 average pay multiplied by 20, plus 1% of the high-3 average pay multiplied by any additional creditable service. Any CSRS component is computed under the above rules.

You must meet the age and service requirements to receive the special computation, even if you retire based on an involuntary separation. For CSRS this is age 50 with 20 years of law enforcement and/or firefighter service. For FERS, the requirement is 20 years of law enforcement, Capitol Police, or firefighter service at age 50, or at any age with 25 years of firefighter/law enforcement or Capitol Police service.

What if I have part-time service?

Part-time service is any service performed on a less than full-time basis as your regularly scheduled tour of duty. In determining eligibility for retirement (not how your annuity is computed), part-time service is creditable to the same extent as full-time service. For example, if you have 20 years of part-time service and 10 years of full-time service, and are age 55, you would have the same retirement eligibility as an employee with 30 years of full-time service.

Your annuity, however, may be computed differently if you have part-time service.

If your retirement will be under Civil Service Retirement (CSRS) rules, and all of your part-time service was prior to April 7, 1986, your annuity computation will not be affected.

However, if all of your service will be computed under FERS, or some of your part-time service under CSRS or FERS is after April 7, 1986, your computation with part-time service will be different than a full-time computation. You should have your agency complete an estimate of your part-time benefits well ahead of your retirement date in this circumstance.

What should I do if I am eligible for an MRA + 10 annuity, but expect to return to Federal service?

If you expect to return to the Federal service in a job with retirement coverage, you may want to postpone applying for an annuity. If you apply for your MRA + 10 annuity, and later are reemployed, you will be subject to the reemployed annuitant rules. This means that if your annuity is reduced because you are under age 62, that reduction remains in place unless you work 5 years, and become eligible for a redetermined annuity.

However, if you are reemployed before you begin receiving your MRA + 10 annuity, your annuity could be based on your age and service at the end of your employment.

An important consideration for some people is the ability to retain insurance coverage with the MRA + 10 annuity.

See PART VII for more detailed information about returning to the Federal Government after a break in service.

If you separate from service after having met the age and service requirements for an immediate MRA + 10 annuity, but die before actually filing an application for retirement, your family still is protected. Your spouse and eligible children may receive a survivor annuity and re-enroll for FEHB coverage if you had a family plan. However, no FEGLI benefit is payable.

EXAMPLES

Jim is age 57, with 15 years of service. He applies for and receives his MRA + 10 annuity. Since he is 5 years under age 62, his annuity is reduced by 25 percent. After being separated for 6 months, Jim obtains a term appointment and works for 2 years. He has then earned a supplemental annuity that is added to his basic annuity. However, his basic annuity is not affected by his reemployment. Jim would have to work for 5 years to be eligible for a redetermined annuity and affect the age reduction. However, Jim applied for the annuity immediately because his child has a serious medical condition and Jim wanted to be sure to be able to continue his FEHB coverage indefinitely.

Linda is also age 57 with 15 years of service. However, she does not apply for her MRA + 10 annuity. Like Jim, she obtains a term appointment that lasts for 2 years. Linda is then eligible for an MRA + 10 annuity based on 17 years of service. Since she is now 59, the age reduction is only 15 percent.

Is it still possible for me to be paid my retirement contributions and, in exchange, receive a reduced annuity?

Generally no. The only people who continue to be eligible for the alternative form of annuity are those who have a life threatening medical condition and who will retire under a non-disability annuity. If you think you may qualify for this benefit, ask your agency for information.

Who may need to make a deposit for military service?

Military service that was performed before 1957 is free under both CSRS and FERS.

If you are under CSRS (or CSRS Offset) and were first employed under CSRS on or after October 1, 1982, or if you are under FERS, you must pay a deposit to use your post-1956 military service in your annuity.

If you are under CSRS (or CSRS Offset) and you were first employed under CSRS before October 1, 1982, you don't have to make a military deposit if you will **never** be eligible for Social Security based on your own work. If you will be eligible for Social Security, you can make the deposit to avoid a reduction in your annuity at age 62 (and a reduction in any survivor annuity payable to your spouse after death). If you do not pay the deposit, your annuity will be recomputed at age 62 to eliminate credit for your post-1956 military service.

I just got a RIF notice. I can't complete a military deposit before my scheduled separation date. Does that mean that I miss out on the opportunity to receive credit for my military service?

No, but you must complete the deposit to your agency before OPM can complete final adjudication of your annuity.

Can I get severance pay instead of an MRA + 10 annuity?

No. Entitlement to an immediate annuity (one which could begin within 1 month of separation) bars severance pay, even if the employee elects to postpone the commencing date.

However, if you won't become eligible for any annuity for more than a month after separation, a deferred annuity does not block severance pay.

I am 58 years old and in FERS. I have 6 years of creditable civilian service and 5 years of pre-1989 non-deduction service that I could pay for. I am facing a RIF separation. What are my options?

The first is that you can file an application for an MRA + 10 retirement when you separate and pay the deposit for the 5 years of nondeduction service. OPM will compute the amount due when your annuity is adjudicated.

The second is that you can be separated, receive severance pay, and apply for a deferred annuity at age 62 based on the 6 years of creditable service.

If you separate and later make the deposit for the 5 years of non-deduction service, you are then eligible for an MRA + 10 annuity. When you apply for an annuity, OPM will notify your former agency that you are eligible for an immediate annuity so that the agency can take action to collect any severance pay you received.

Is there any choice as to the amount of FEGLI Basic coverage I can continue as a retiree after age 65?

There are three choices available to insured employees who are covered under Basic Life. Employees who retire can choose no Reduction, 50% Reduction, or 75% Reduction. If you choose the 75% Reduction, your life insurance withholding will remain at the same amount to age 65 as when you retired. After you reach age 65, withholding will stop, and your insurance will reduce 2% a month until it reaches 25% of the amount in force when you retired.

If you choose the 50% Reduction, until age 65 you pay the regular insurance premium plus the additional premiums required for the extra coverage you will have after age 65. At age 65, the regular insurance premiums stop, your insurance reduces 1% a month until it reaches 50% of the amount in force at retirement, and you pay only the additional premium required for the extra coverage.

If you choose no reduction, you pay the regular premiums plus additional premiums for the extra coverage until you reach age 65. At age 65, your insurance continues at the same amount as was in force when you retired, and you pay only the additional premium for the extra coverage.

Do I need to designate a beneficiary for my life insurance?

No. If you do not designate a beneficiary, your death benefits will be paid according to the following order of precedence.

(1) Your widow or widower

(2) Your child or children in equal shares, with the share of any deceased child distributed among the descendants of that child

(3) Your parents in equal shares or the entire amount to the surviving parent

(4) The duly appointed executor or administrator of your estate

(5) Your next of kin under the laws of your domicile at the time of your death.

If you have no survivor falling in category (1), the benefits will be paid to the survivors falling in category (2) and so on, as necessary.

If you wish to designate a beneficiary, you must file a Designation of Beneficiary form (SF 2823) with your employing office, or if you are retired, your retirement system.

Is my annuity subject to Federal taxes?

Yes. For tax rules as they apply to CSRS and FERS annuities, see IRS Publication 721. You can order this free publication by calling 1-800-TAX-FORM.

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PART III

Leaving Federal Service Before Retirement

Under both retirement systems, you can leave your money in the retirement fund or withdraw it by requesting a refund. This money represents your investment and right to a future benefit from the fund; therefore, consider your options carefully.

Civil Service Retirement System (CSRS)

CSRS Deferred Benefits Under CSRS, if you leave your money in the fund, you can receive a deferred annuity at age 62 if you have completed at least 5 years of creditable civilian service, and you are covered by CSRS for at least 1 year within the 2-year period immediately preceding your separation. The benefit is computed as explained in Part II in the section on computing CSRS annuities.

Your "high-3" average pay is not adjusted for inflation after you leave Federal service. This means that the value of the deferred annuity may be somewhat eroded depending on the amount of time you have to wait for the deferred annuity to commence. If you are near age 62 when you separate, and wait only a short time for your deferred annuity to commence, the average pay will be similar to the pay used for immediate annuity computations. However, if there is a long delay before your deferred annuity begins, the older rates of pay may provide only a small benefit in current dollars.

With a deferred annuity, you are not eligible to participate in the FEHB program or to acquire FEGLI coverage. However, you can provide a survivor annuity for your spouse, and once your annuity begins, you get cost-of-living adjustments (COLA's). You will also recover an amount equal to your retirement contributions in monthly benefits in a relatively short time.

Refund Eligibility To get a refund, you must be separated from Federal service for at least 31 days. You can apply for a refund any time up until 31 days before your 62nd birthday, provided you don't return to Federal service in a position that provides retirement coverage. You may not be eligible for a refund if a court order awards benefits to a former spouse.

If you take a refund, you lose your

right to future annuity benefits. OPM pays you all the deductions taken from your salary, and any additional payments you made to the fund -- for example, a deposit for military service. You do not receive any money paid by your agency, or get paid interest.

Other Issues Since CSRS employees do not have Social Security coverage, another consideration is that if you take a refund for your service, you have forfeited any future retirement benefit based on these years of your working life. Even if you plan to invest the money, you should consider whether investment opportunities can equal the guaranteed lifetime annuity, survivor benefits, and inflation protection of COLA's after the annuity begins.

On the other hand, however, if receipt of a CSRS annuity will cause your Social Security benefit to be subject to the Windfall Elimination Provision or Government Pension Offset discussed in Part V of this booklet, you should get benefit estimates to help you decide whether to leave your deductions on account for a deferred annuity at age 62 or to take a refund now.

You regain your right to benefits if you return to the government in a job with retirement coverage. The refunded service will count toward eligibility to retire, but it will not count to compute your annuity unless you re-pay the money, with interest. The interest rate changes each year. In 1996, it is 6.875%.

Federal Employees Retirement System (FERS)

Refund Rules Under FERS, there are some significant differences in the rules concerning refunds. The most important is that if you receive a refund and later return to a Federal job, you cannot repay refunded FERS contributions, and credit for the refunded service is lost for retirement. It cannot even be used toward eligibility to retire.

For example, if Jane receives a refund for 3 years of FERS service, later returns to Federal service, and works another 17 years, she will be eligible for an annuity at her MRA that is based on 17 years of service. Even if she waits until her 60th birthday, her annuity will be reduced by 10% because she does not have 20 years of service that are creditable under FERS. If she had left the money in the fund, she would have had 20 years of creditable service and could get an unreduced annuity at age 60.

If you transferred to FERS, you can receive a refund under CSRS rules of CSRS deductions covering service that would be included in a CSRS annuity component. This means that you can receive a refund covering your CSRS service, but leave your FERS money on account.

If you have more than 1 year of FERS service, your contributions earn market interest. In 1996, this rate is 6.875%. The account continues to earn interest until it is paid out.

Deferred Annuity Under FERS, if you leave your money in the fund, you can receive a deferred annuity at age 62 if you have 5 years of creditable service. This means 5 years of service **covered by retirement deductions**, when you leave Federal service.

When you receive a deferred annuity, you also can provide a survivor benefit for a spouse and start receiving COLA's.

Early Deferred Annuity If you have at least 10 years of service, FERS offers an option that is not available under CSRS. You can start receiving a deferred annuity as early as your MRA. Under the early deferred benefit, if you completed at least 10, but less than 30 years of creditable service, your annuity will be reduced if it begins before age 62. Your annuity will be reduced by 5/12 of 1% (5% per year) for each month by which your commencing date precedes your 62nd birthday. You can postpone the commencing date of your annuity to reduce or eliminate the age reduction.

However, if you have at least 20 years of service and you wait until age 60 to begin payments, there is no age reduction.

Things to Consider--Both CSRS and FERS

Whether you choose to withdraw your retirement money or leave it in the fund, there are a few points you should consider.

Lifetime annuity versus single payment First, you need to remember that a deferred annuity is a valuable benefit that you will lose if you take a refund. Within a short time after you begin receiving your annuity, the sum of your monthly payments will equal any refund you would have received, yet you will continue to receive annuity payments for the rest of your life.

While everyone's situation is different, and each person must make a decision according to his or her own needs, most people find it is better to leave their money in the fund. You don't have to decide right away -- and if you are under FERS, your money continues to earn interest until it is paid out. In deciding whether or not to withdraw your retirement money, remember that you are weighing a single payment against a potential lifetime annuity.

Second, if you want a deferred annuity and have service for which you owe money, you may need to complete payment before you separate.

Military Deposits Only an employee subject to CSRS or FERS (including CSRS Offset) can pay a deposit for post-1956 military service to his or her employing agency prior to separation. A separated employee who did not make the deposit, and later applies for a deferred retirement, cannot make the post-1956 deposit following separation. If you plan to receive a deferred annuity in the future, you should definitely check on making any military deposit prior to separation with your personnel department.

Deposits for service when retirement deductions were not withheld A CSRS employee who does not take a refund of deductions, meets the 1 out of 2 years of work requirement, and has at least 5 years of creditable civilian service, may make deposits or redeposits for civilian service after separation. A FERS employee must have 5 years of **paid** service, however, to pay for additional service after separation. As a former employee you must retain retirement rights based on the above requirements, and have retirement deductions remaining in the Retirement Fund, to make deposits.

An employee who is currently covered by CSRS, CSRS Offset or FERS can also make the deposit, so you may want to review questions about deposits with your personnel department prior to separation, especially if you need 5 years of paid up service to establish title to a FERS annuity.

Service during which FERS retirement deduction were not withheld from your salary, performed before January 1, 1989, does not count for retirement unless you make a service credit payment. You can make a service credit payment only while you are still employed under FERS coverage, or if you are already eligible for a FERS annuity when you separate from Federal service. Nondeduction service after 1988 is not creditable under FERS.

Survivor protection Third, separated CSRS employees, and separated FERS employees with less than 10 years of creditable service, have no survivor protection if they die before they begin receiving their deferred annuity. The only benefit payable to your heirs would be a lump sum payment of your retirement contributions. On the other hand, the law does provide survivor protection for FERS employees who separate with at least 10 years of creditable service and who leave their money in the retirement fund. If they die before their deferred annuity begins, their spouses can still receive a survivor annuity.

Federal Employees Health Benefits (FEHB)

Your Federal Employees Health Benefits (FEHB) enrollment ends on the last day of the pay period in which you are separated from your job. However, your coverage continues for

31 days after your enrollment ends for any reason except voluntary cancellation.

Conversion If your enrollment ends for any reason except voluntary cancellation, you may convert to a nongroup policy without giving evidence of good health. Within 60 days after your enrollment ends, your employing office must give you a notice of termination of your FEHB enrollment and offer you the right to convert to an individual contract with the carrier of your plan.

If you want to convert to a nongroup policy, write for information to the nearest office of your plan within 91 days after your enrollment ends, or 31 days after the date the notice was signed by an authorized official, whichever was earlier. However, if your agency does not give you the notice of termination and conversion right, you may, within 6 months after termination, request conversion directly from your plan. Be sure to include verification of termination (such as an SF 50 that shows your separation).

The health benefits plan carrier will send you an application form as well as benefit and cost information about the nongroup contract. Nongroup benefits and premiums are not subject to Government review and approval. The benefits available under a conversion contract may not be the same as those under your FEHB plan. Further, there is no Government contribution towards the cost of the non-group conversion contract. Also see information on Temporary Continuation of Coverage (TCC) below.

Temporary Continuation of Coverage (TCC) If you lose your FEHB coverage because you leave your Federal job, you and members of your family who are covered by your enrollment are eligible for Temporary Continuation of Coverage (TCC) unless your separation is involuntary due to gross misconduct.

Deadline to Enroll Your employing office must notify you within 61 days after your regular FEHB enrollment terminates of your opportunity to enroll under TCC. Generally, you have 60 days after getting the notice to enroll under TCC, but never less than 60 days after your separation date.

It is a good idea to ask your agency to give you information about TCC before you separate so you can study your options. TCC enrollments and premiums always takes effect on the day after your 31 day extension of coverage ends. The earlier you submit your enrollment form, the earlier your agency can process it, and the less likely it will be that you will receive a large bill for retroactive premiums.

Cost TCC enrollees must pay the full premium for the plan they select, that is, both the employee and Government shares of the premium, plus a 2 percent administrative charge.

Note: Department of Defense (DOD) employees should contact your servicing personnel office. During TCC following involuntary separation or notification that your position is surplus, DOD may continue to pay its FEHB share and any additional administrative costs. Enrollees continue to pay their share.

Duration of Coverage Separating employees can continue TCC for up to 18 months after the date of separation. A TCC enrollee's coverage ends when the period of temporary continuation expires or the enrollee cancels the enrollment. (Coverage also stops when enrollees do not pay premiums. Termination of coverage because of nonpayment of premiums is considered a voluntary cancellation.) If the enrollment ends because of the expiration of the period of TCC, the enrollee is entitled to a 31-day temporary extension in the same enrollment category held at the time TCC expires for conversion to an individual contract.

Considerations Even if you are going to a new job that provides health insurance, you may need TCC if there is a waiting period or exclusion for pre-existing condition involved in your new coverage. Is the coverage as complete as that provided by your FEHB plan? Does it cover all your dependents? If the answers to these questions are negative, you may want to enroll for TCC.

Enrolling To enroll for TCC, complete a Standard Form 2809, Health Benefits Registration Form, and submit it to your employing office within the time limit explained above. Employing offices can accept belated enrollments in very limited circumstances.

Changing Plans Under TCC, you are not limited to the plan or option you have when your regular FEHB coverage ends. You may enroll in any plan for which you are otherwise qualified. (Some plans require that enrollees live in a certain geographic area or belong to the sponsoring employee organization.) Enrollees may elect either a self-only or self and family enrollment.

31 Day Temporary Extension of Coverage An enrollee or covered family member who loses FEHB coverage other than by cancellation (including cancellation by nonpayment of premiums) has a 31-day temporary extension of coverage, at no cost, in the same plan, option, and enrollment category held at separation for the purpose of converting to a nongroup contract. This is true even when the enrollee also has the right to elect temporary continuation of FEHB coverage.

Effective Date TCC takes effect on the day the 31-day temporary extension of coverage ends. Coverage is retroactive to that date if the enrollment processing is completed late. Depending on the circumstances, a timely election can be made up to 120 days after the qualifying event. However, in the case of an enrollment request filed 120 days after the event, the enrollee is billed for the entire 89-day period of retroactive coverage. In cases where the employing office accepts a belated election, the period of retroactive coverage for which the enrollee is billed is even longer. If the enrollee does not pay the bill for the retroactive coverage, the TCC enrollment is cancelled retroactively to the beginning date and the person is not eligible to re-enroll.

Billing Arrangements Your employing office (or its agent if it has made arrangements for some other office to handle its TCC accounts) bills you as an enrollee for each pay period (generally each month) you are covered. The initial bill may include more than 1 month's coverage if more than 1 month has passed since the effective date. Payments are due after the month during which you as a TCC enrollee are covered and in accordance with the schedule and procedures established by the employing office.

Federal Employees Group Life Insurance (FEGLI)

Your life insurance coverage as an employee stops on the date you are separated from Federal service. There is a 31 day temporary extension of coverage.

Conversion In general, you may convert your FEGLI coverage to an individual (direct-pay) policy when you separate. (If you have assigned your FEGLI coverage, only the assignee can convert the basic and options A and B.) It is not necessary to have a medical examination. However, written application must be made within 31 days after insurance stops, or within 31 days of the date you receive your "Notice of Conversion Privilege", whichever gives you more time. Your employing office will notify you of the loss of group coverage and your right to convert to an individual policy and give you an Agency Certification of Insurance Status form, SF 2821, and Notice of Conversion Privilege form, SF 2819, which you need if you apply to convert your coverage.

If you do not have health problems that would affect your insurability, you may want to check on term insurance through private insurance company sources as an alternative to conversion.

Severance Pay

Eligibility You may be eligible to receive severance pay after separation by RIF, or by adverse action procedures after declining to transfer with your function, if you have not declined a reasonable offer of a position within two actual grades of your current grade level in the same commuting area. Also, you must have served at least 12 continuous months in a Federal civilian position immediately before separation (see Note 1). You must have a qualifying appointment, e.g., an appointment without a time limitation (or a time limited appointment that follows an appointment without time limit by not more than 3 days). Finally, you must not be eligible for an immediate annuity (see Note 2) as a Federal employee or as a retired member of the armed forces, or be in receipt of workers compensation benefits (unless received concurrently with pay before separation, or as a survivor).

Note 1: Under Public Law 104-106, approved February 10, 1996, DOD employees who volunteer to be RIF'd may be eligible for severance pay. This authority expires on September 30, 1996. See your agency for more information.

Note 2: Immediate annuity means a recurring benefit payable under a Federal civilian or military retirement system that begins to accrue within 1 month after separation, or a FERS retirement for separation after attaining the minimum retirement age (MRA) for which the commencing date has been postponed.

Computation of Severance Pay Severance pay is computed at the rate of 1 week's basic pay for each of the first 10 years of civilian service (no credit is allowed for service in the armed forces unless it interrupts otherwise creditable civilian service and carries restoration rights) plus 2 week's basic pay for each year of creditable service over 10 years. An age adjustment allowance of 10% is added for each year you are over 40 years of age.

Limitations on Payments The total amount of severance pay that can be paid to an employee is limited to 1 year's salary. If you are employed again in a permanent position with the Federal Government or the District of Columbia (DC), severance pay stops. No other employment, public or private, affects severance pay. If you are reemployed in the Federal or DC Government on a temporary appointment after a break of more than 3 calendar days, severance pay will be suspended. At the termination of the temporary appointment, the unexpired portion of the severance pay will be continued by the original agency.

Severance pay is generally paid at the same intervals as regular pay until it runs out. However, under Public Law 104-106, DOD employees may now be paid severance pay in a single payment for payments before October 1, 1999.

Unused Leave

Except for certain statutory limitations, if you are covered by the annual leave laws or other authorized leave systems, you are, upon separation from the Federal service, entitled to receive a lump-sum payment of the annual leave to your credit. This is paid by your agency soon after your last paycheck. If you are reemployed in the Federal service during the time covered by the leave, however, that portion will have to be repaid. For example, if you have 5 weeks worth of leave paid to you, and get a new job after 3 weeks, you must repay the value of 2 weeks of leave. That repaid leave would be recredited.

You will not receive payment for unused sick leave upon separation. However, sick leave will be recredited if you are reemployed in the Federal service. There is no longer a time limit for the recrediting of sick leave upon reemployment.

Unemployment Insurance

The Department of Labor, through agreements with State governments, administers the unemployment insurance program for Federal employees. The States (and the District of Columbia) determine eligibility for benefits as well as the amounts paid to separated employees, based on location of employment. The unemployment insurance program provides a weekly income for limited periods of time to separated Federal civilian workers who are eligible for benefits.

If you wish to file a claim for benefits after separation, you should go to the appropriate State employment service office or unemployment insurance claims office to register for work and file a claim. Payment is based on the State in which you work, not the State in which you live. You should take your Social Security card, official notice of separation or nonpay status (Standard Form 50), specific RIF notice letter, and notice about unemployment insurance (Standard Form 8).

In most States, unemployment compensation is not payable while you are receiving severance pay. However, you may need to file an application for unemployment benefits to meet filing deadlines.

Information concerning unemployment insurance is available from your local office of the State employment services.

Questions and Answers

If I terminate my employment, do I receive a refund of any insurance withholdings?

No. FEGLI is term insurance. There is no cash surrender or loan value, or paid-up insurance.

See your personnel office for assistance if your FEGLI is affected by an assignment or you have received a living benefits payment.

Who is covered under a Temporary Continuation of Coverage (TCC) health benefits family enrollment?

For a former employee, a TCC family enrollment covers the same family members who were covered under the employee's family enrollment. The family members must continue to meet the same requirements as under the employee's family enrollment. A new family member, such a new spouse or a newborn child, who is added during the period of TCC enrollment is also covered as a family member.

Can I change my TCC enrollment?

After the initial enrollment, a TCC enrollee may change enrollment during the annual FEHB open season or, generally, when an event occurs that would allow an employee to change enrollment. For example, a TCC enrollee who marries may change from a self only enrollment to a family enrollment within 60 days after the marriage.

If my death should occur before I am eligible for a deferred annuity, what happens to my contributions that I left in the Retirement Fund?

If you were covered by FERS and had less than 10 years of creditable service or covered by CSRS, your contributions will be paid in a lump sum to the persons who survive you in the same order of precedence listed earlier for life insurance.

SF 2808, Designation of Beneficiary, Civil Service Retirement System, is used to designate a beneficiary for CSRS. An SF 3102 Designation of Beneficiary, Federal Employees Retirement System, is used for FERS deductions. The forms are available from your agency.

If you were covered by FERS and had 10 or more years of creditable service, your surviving spouse may be eligible for monthly survivor benefits.

If I take a refund of my retirement deductions, will I have to pay Federal income taxes on any of the amount I receive ?

The amount of the refund that is your actual retirement contribution is not subject to Federal income tax. However, any interest paid on those contributions is taxable, unless you roll over the amount of the interest paid.

A rollover is a tax-free reinvestment of the interest portion of your refund in another qualified retirement plan or individual retirement arrangement (IRA) within 60 days following the date you receive the refund. You do not include in your income the amount you roll over. The interest amount rolled over is taxable later as the new retirement plan or IRA pays that amount to you. You should receive instructions concerning the rollover before your refund is paid. Also see IRS Publications 575, 590, and 721 for more information.

If I take a refund of Civil Service Retirement System (CSRS) contributions can I redeposit the amount refunded?

Redeposit service is any period of civilian service where retirement deductions were taken from your pay and later refunded upon your separation from Federal service.

Payment for CSRS redeposit service may be made only when you are currently covered by CSRS or FERS; have title to an immediate annuity; or are a former employee with title to a deferred annuity.

If you apply for and receive a refund of all of your CSRS contributions, you would have to be employed again under CSRS or FERS coverage to make the redeposit. If you have over 5 years of CSRS coverage you should carefully consider possible loss of your future CSRS retirement benefits.

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PART IV

Commonly Asked Questions Concerning Your Thrift Savings Plan (TSP) Account

What are my Thrift Savings Plan (TSP) withdrawal options following separation?

The TSP provides three basic ways to withdraw your account. These options are the same without regard to whether or not you are eligible to retire when you separate.

- Have the TSP purchase a life annuity for you. You have a choice of many different annuities.
- Receive your account in a single payment.
- Receive your account in a series of monthly payments.

Can I leave money in my TSP account, and can I add to this money, after separation?

You can leave money in your account, but you cannot continue to contribute. Your account will continue to earn earnings, and you can continue to change the way your money is allocated among the three TSP investment funds by making interfund transfers.

Upon separation, can I have the TSP transfer my payment to an Individual Retirement Arrangement (IRA) or other eligible retirement plan?

You can have the TSP transfer all or part of a single payment to an IRA, or other eligible retirement plan. Certain monthly payments can also be transferred.

Where can I find tax information on TSP payments at separation?

For detailed information about the tax consequences of your withdrawal choice and Federal tax withholding requirements, see the TSP tax notice "Important Tax Information About Payments From Your Thrift Savings Plan Account". Your agency personnel office must provide you with this notice when you separate from service. You should also consult with your State and local tax authority concerning State and local tax questions.

What is the automatic cashout from TSP at the time of separation?

If your vested account balance is $3,500 or less and you do not submit a withdrawal request, the TSP will pay your account balance to you automatically in a single payment. The TSP will notify you before the payment is made and will give you the opportunity to choose another withdrawal option or elect to leave your money in the TSP.

Will I receive the FERS Agency Automatic 1 percent Contributions to TSP upon separation?

If you meet the TSP vesting requirements when you leave Federal service you are entitled to the Agency Automatic (1%) Contributions to your TSP account and their earnings.

Most FERS employees become vested in their Agency Automatic (1%) Contributions after completing 3 years of Federal, generally civilian, service. FERS employees in congressional and certain noncareer positions are vested after completing 2 years of such service.

What if I have an outstanding loan from my TSP account?

If you leave Federal service, you must repay the loan in full, including interest on the outstanding balance to the date of repayment. Delay in repaying your loan may affect the processing of your withdrawal. If you do not repay the loan within the required time frame, the TSP will notify IRS that you received a taxable distribution.

Who do I contact if I have a question on TSP after separation?

After you leave Federal service, the TSP Service Office is your primary contact for information about your account, including procedures to withdraw it. The address and phone number of the TSP Service Office are provided on the Participant Statement of separated employees. Keep the TSP Service Office informed of all changes in your address. The TSP address is

Thrift Savings Plan Service Office
National Finance Center
P.O. Box 61500
New Orleans, LA 70161-1500

Telephone (504) 255-6000

How do I request a withdrawal of my TSP account?

Complete the Withdrawal Request (Form TSP-70) and submit it to the TSP service office after you separate. If you want to have the TSP transfer your account to an IRA or other eligible retirement plan, you and the financial institution or plan administrator will also need to complete Form TSP-70-T, Transfer Information.

How long does it take to make a TSP withdrawal?

You should plan that it will take up to 2 months between the time that you and your agency submit all required forms and information and the time that payment is mailed to you.

Can I name a beneficiary for my TSP account if my death should occur before I collect the funds?

Yes. To name a beneficiary or beneficiaries for your account, mail Form TSP-3, Designation of Beneficiary, to the TSP Service Office . Your form must be received by the TSP Service Office before your death. A will is not valid for the disposition of your TSP account.

The share of any designated beneficiary who dies before you die will be distributed proportionally among the surviving designated TSP beneficiaries. Your Designation of Beneficiary will be void if none of the designated beneficiaries is alive at the time of your death. In that case, the standard order of precedence will be followed. Keep your beneficiaries' addresses current. If there are any changes in your family status, you may want to make out a new designation of beneficiary.

The standard order of precedence for TSP is the same as for life insurance, explained earlier in this booklet.

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Part V

Laws that Affect Social Security Benefits

There are two provisions of law that affect the Social Security benefits of many Federal employees. They are described below.

Social Security benefits based on your own work. If you have Federal service that was not covered by Social Security, you may be subject to a law known as the Windfall Elimination Provision. This may reduce the amount of your Social Security benefit **based on your own employment**. The Windfall Elimination Provision applies to people who receive pensions based on work that was not subject to Social Security (such as CSRS) **and** who have less than 30 years of "substantial earnings" under Social Security. Under this law, the Social Security Administration uses a modified formula that results in a lower Social Security benefit.

You need to earn quite a bit more to be credited with a year of "substantial earnings" than it takes to be credited with a year of regular credit. For example, in 1996, with earnings of $2560, you receive 1 year of credit, but it takes $11,625 to be considered "substantial earnings".

The Windfall Elimination Provision may apply to you regardless of whether you retire under CSRS, CSRS Offset, or FERS.

Most agencies use software packages to do annuity estimates. These programs also normally compute Social Security benefits, including the adjustment for the Windfall Elimination Provision, if applicable. If you think this provision will apply to you, you should ask your agency if it can compute the benefit for you, using the earnings statement you receive from the Social Security Administration.

Social Security benefits based on your spouse's earnings. The Government Pension Offset provision of the Social Security laws affects Social Security spousal benefits. It only applies to people who are covered by CSRS (people covered by CSRS Offset are exempt from Public Pension Offset), or who transferred to FERS after the 1987 open season and retire before being in FERS for 5 years. Generally, the Government

Pension Offset will not affect you if you will receive a Social Security benefit based on your own employment.

If you are affected by the Government Pension Offset, your Social Security spousal or survivor's benefit will be reduced by an amount equal to two-thirds of the amount of your CSRS pension. For example, if you get a monthly CSRS pension of $600, two thirds of that, or $400, must be used to offset your Social Security spouse's or widow's benefits based on your husband or wife's Social Security.

For further information about these laws, ask your servicing personnel office or local Social Security office for the factsheet "A Pension From Work Not Covered By Social Security" (SSA Publication No. 05-10045) and "Government Pension Offset" (SSA Publication No. 05-10007). You can also call the Social Security Administration at 1-800-772-1213 to request them. They also are on OPM's Mainstreet Bulletin Board.

PART VI

Changing Jobs Without a Break in Service

Grade and Pay Retention If you are placed in a lower-graded position in your agency as the result of RIF procedures, after holding your higher graded position for at least 52 weeks, you are entitled to retain the same grade for 2 years. Your retained grade is used for most purposes (including pay and pay administration, retirement, life insurance, eligibility for training, promotions, and within grade increases, but not for future RIF competition) as your grade. For example, if an employee who holds a GS-12 position is downgraded because of RIF to a GS-9 position, he or she is still considered to be a GS-12 for most purposes.

Following grade retention, you are eligible for indefinite pay retention. If you are downgraded because of RIF, but do not meet the 52-week eligibility requirement for grade retention, you also are eligible for indefinite pay retention.

Pay retention applies when the pay rate of the position you held prior to the RIF exceeds the highest step of the lower-graded position held after RIF. An individual who is eligible for pay retention is either placed in the lower grade at the step that equals or exceeds his or her current rate of pay, or retains his or her rate of pay not to exceed 150 percent of the maximum rate for the grade in which placed.

You then receive 50 percent of any adjustment (e.g., an annual comparability increase) in the maximum rate to which you were reduced until the rate of your new grade equals or exceeds your then current pay. In addition, for General Schedule (GS) employees located in the 48 contiguous States, locality pay is paid on top of the retained rate.

Eligibility for grade retention stops if any of the following occurs at any time after you receive written notice of the reduction in grade action or after the 2-year period of grade retention begins.

1. You have a break in service of 1 workday or more.

2. You are demoted for personal cause or at your request.

3. You are placed in, or decline a reasonable offer of, a position the grade of which is equal to

or higher than the retained grade.

4. You elect in writing to terminate the benefits of grade retention.

You can also lose eligibility for pay retention if you:

1. Have a break in service of 1 workday or more;

2. Are demoted for personal cause or at your request;

3. Are entitled to a rate of basic pay that is equal to or higher than the rate to which you are entitled under pay retention; or

4. Decline a reasonable offer of a position the rate of basic pay for which is equal to or higher than the rate to which you are entitled under pay retention.

Retirement Eligibility People frequently ask about the effect on retirement eligibility of going from regular career employment to a time limited appointment. The following information answers the most common questions.

A separation is qualifying for discontinued service retirement if you received a specific notice of separation from regular long-term (career) employment, did not decline a "reasonable offer", moved to a time-limited appointment without a break in excess of 3 days, and are involuntarily separated from the time-limited appointment.

A separation is not qualifying for discontinued service retirement if you voluntarily leave regular long-term (career) employment to accept a short-term appointment with full knowledge of its early termination.

Termination from short-term employment may be considered involuntary for discontinued service if the employment served a management purpose. If the short-term employment was arranged solely to create title to an annuity, and did not serve a management purpose, the separation is not considered qualifying for discontinued service retirement.

The following examples illustrate these points.

EXAMPLE 1: A 47 year old employee is about to be separated with 24 years 8 months of service because the base where he works is closing. The agency needs 20 employees on a temporary basis to do environmental clean-up after the base closes. The agency offers the employee a temporary appointment NTE 1 year with no break in service. The work is finished in 8 months and the employee's temporary appointment is terminated. The employee now has more than 25 years of service, and is eligible for a discontinued service annuity since his separation from both the long term and short term employment were involuntary and there was no break in service.

However, if the employee had resigned after 6 months, his final separation would be voluntary and not qualifying for discontinued service retirement.

EXAMPLE 2: A 50 year old CSRS employee with 19 years of service transfers to a 5-year term appointment to work on the savings and loan clean-up operation. Since the appointment served a management need rather than being created to provide retirement eligibility, the employee is eligible to retire upon its termination.

If you are involuntarily separated but do not meet age and service requirements for discontinued retirement, and have an opportunity to take a term appointment, you should carefully consider this option. In the above example, the employee continued CSRS coverage upon transfer. However, even if your CSRS coverage should end with a break in service, with a term appointment, you will still have an opportunity to elect FERS. On separation from the term appointment you may have enough additional time to meet the age and service requirements of 20 years of service at age 50, or 25 years of service at any age, for discontinued service retirement.

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PART VII

Benefits of People Who Return to Federal Service

If You Retired

CSRS Future Retirement Benefits
If you retired under early voluntary or optional retirement, your annuity will continue. Your salary will be reduced by the amount of your annuity. You may elect to have retirement deductions withheld from your salary.

You will earn a supplemental annuity if you work at least 1 year of continuous full-time (or part-time service that is equivalent to 1 year of full-time) service. You may elect to have your entire annuity recomputed if you are reemployed for at least 5 years of service. This may be important to you if your original annuity was reduced because of your age. A deposit must be paid or deductions withheld.

If you retired under the CSRS based on an involuntary separation, and your new job provides retirement coverage, your annuity will stop from the day of reemployment. If you had a 365 day break in service, or are rehired as a senior official, and have coverage, the coverage will be CSRS Offset, rather than only CSRS. If you do not have retirement coverage (no retirement deductions automatically withheld), your CSRS annuity will continue, and your salary will be reduced. You may be eligible for supplemental or redetermined benefits under the rules described above.

EXAMPLES

1. George retired on a discontinued service retirement at age 48 with 27 years of service when his position was abolished. At age 52, he was reemployed under a covered appointment as a CSRS Offset person, so George's annuity stopped. When he retired voluntarily 4 years later, George was entitled to a new benefit with no reduction for age based on his 31 years of service and age of 55 at separation.

2. Susan retired at age 53 with 23 years of service when she was unable to transfer with her position. Two years later, she obtained a covered appointment, so her annuity stopped. After working only 8 months, she resigned. Since Susan's latest period of service does not meet the 1 out of 2 requirement, she did not

earn any new entitlement during this period of service. Instead, Susan is entitled to have her old annuity, plus any COLA that became payable, resumed.

However, if Susan had worked for at least a year and then resigned before age 60, she would only be entitled to a deferred annuity at age 62. This is because she would have earned entitlement to an annuity based on her last period of service since she has a year of service and meets the 1 out of 2 requirement. However, she would not be old enough for a regular voluntary immediate retirement until she reaches age 60.

Employees coming under retirement coverage again following an involuntary separation must especially consider these requirements in order to avoid a lapse in retirement benefits.

Transferring to FERS You may transfer to FERS if you are reemployed after a break in service of more than 3 days, and are reemployed under an appointment not excluded from FERS coverage.

For example, if you have a temporary appointment limited to 1 year or less, you would not be able to transfer to FERS, because temporary service is not covered by FERS. However, if you receive an appointment that would normally be covered by FERS, such as a term appointment or career reinstatement, you have a 6-month period in which to elect FERS coverage.

Disability Retirees You should check with your employing agency concerning the rules for reemployment of disability annuitants under both CSRS and FERS.

FERS Future Retirement Benefits If you are reemployed in the Federal service after you have retired under FERS, your pay is reduced by the amount of your annuity. If you have FERS coverage, FERS retirement deductions and FICA are withheld. You can earn a supplemental annuity if your final period of reemployment consists of at least 1 year of continuous creditable full-time service (or part-time equivalent). If you complete at least 5 years of such service, you may elect to have your entire annuity recomputed. This may be important if your original annuity was reduced because of your age.

Sick Leave If you return to Federal employment after retiring under the CSRS, your sick leave cannot be recredited to you since it was used in your annuity. However, if you retired under FERS, your sick leave will be recredited if you return to Federal service since sick leave is not used in a FERS annuity. The exception is for people who transferred to FERS and who have part of their annuity computed under CSRS rules. In this case, you get any leave that was not used in your annuity recredited to you.

Federal Employees Group Life

Insurance If you are reemployed in a position that is not excluded from FEGLI coverage, you generally acquire life insurance coverage as an employee, and your coverage as an annuitant is suspended. However, you may choose whether to continue Option B Additional insurance as an employee or as an annuitant. Insurance deductions must be made from your pay to carry insurance as an employee. If you waive coverage as an employee, you also will be waiving the coverage you had as a retiree.

Health Benefits If you are covered by the FEHB Program as an annuitant, you will continue coverage as an annuitant, not as an employee. If you do not have FEHB coverage as an annuitant, and are not excluded from coverage by the type of your appointment, you may enroll.

If You Did Not Retire

Retirement Coverage If you are again employed in the Federal service, depending on your current appointment and employment history, you may have Civil Service Retirement System (CSRS) coverage, CSRS Offset coverage, Federal Employees Retirement System (FERS) coverage, or only Social Security coverage.

CSRS Offset coverage normally applies to employees who are going to a job with retirement after a break in **both** service and CSRS coverage of more than 1 year, and who also had at least 5 years of civilian service as of the break in service. Once you have CSRS Offset coverage, you continue to have it in any future employment with retirement coverage unless you elect FERS coverage.

FERS Election Opportunity You may be eligible to elect FERS upon reemployment in the Federal service if you are returning after a break in service of more than 3 days. The most common group of employees who have an opportunity to elect FERS coverage are employees who are returning to Federal employment with CSRS or CSRS Offset coverage after a break in service of more than 3 days. If you are eligible to elect FERS, you have a 6-month election opportunity upon your reemployment.

Also employees who have an appointment, such as a term appointment, that is excluded from CSRS coverage, but not from FERS coverage, and whose prior service history prevents automatic FERS coverage, can elect FERS. If you are in this group, you can choose between Social Security coverage only or switching to FERS.

If you are employed after a break of

more than 3 days on a temporary appointment that is limited to 1 year or less, or on an intermittent basis, you are not eligible for retirement coverage or to elect FERS.

Insurance All permanent employees with regularly scheduled tours of duty, and temporary employees whose appointments are for longer than 1 year, are generally eligible to enroll for Federal Employees Health Benefits (FEHB) coverage and Federal Employees Group Life Insurance (FEGLI), unless excluded by law or regulation.

Leave

You are entitled to have your sick leave recredited if you are reemployed in the Federal service. If you received a lump-sum payment for annual leave when you separated, and you return to Federal service before the expiration of the time period that represents the annual leave lump-sum payment, you will have to refund the remaining portion of your lump-sum payment.

PART VIII

Doing Business with

the U.S. Office of Personnel Management's

Retirement and Insurance Service

When you separate, your employing office will close out your records. When this process, which includes paying you any unpaid compensation, such as for unpaid annual leave, has been completed, your agency will forward your records, including any application for annuity or refund, to OPM. Agencies are expected to send records to OPM within 30 days of an employee's separation.

Do not contact OPM unless your records have been sent to us by your payroll office. You should be notified by your agency when this happens. They should tell you the date that your records were sent to OPM, and give you something called a Register of Separations number for your records. You should also check with your agency to learn your payroll office number.

What Happens When You File An Application for Immediate Annuity?

Within a few days after receiving your application, the Office of Personnel Management will send you an acknowledgement. This acknowledgement will give you your claim number which will begin with the letters "CSA". This number will be very important to you as an annuitant because you will need to refer to it any time you write or call us in connection with your annuity.

The next action OPM takes is a preliminary review of the records available at the time your application for immediate annuity is received. If your entitlement to a non-disability annuity is clear at this point, OPM will authorize interim annuity payments. These payments are usually about 90 percent of your actual net annuity.

Interim payments generally are authorized within 4 to 6 days after

OPM receives your retirement package from your payroll office.

To have your interim payments sent to your bank or financial institution by Electronic Funds Transfer (EFT), submit a properly completed EFT Information form to your agency personnel department, or an SF 1199A, form with your retirement application package. In this case, the payment will be deposited to your account 2 to 3 days after OPM authorizes payment (see Direct Deposit section below).

OPM will send a notice informing you of the amount of the interim payments. The processing steps and timeframes reflect normal OPM procedures and processing times.

Some Federal agencies also provide retirement data via magnetic tape at the same time they send the retirement application package to OPM. The magnetic tape records can include your request for EFT payment of your check to a bank or financial institution.

In the case of magnetic tape data transfer, if OPM receives complete and accurate information, we will be able to authorize interim payments within 1 day of OPM's receipt of the data. You may want to ask if your agency participates in this program.

Interim payments continue until OPM completes action on your retirement.

Applications for disability retirement are processed differently. Interim annuity payments can be authorized only after the disability has been approved and your agency has told us the date of your last day in a pay status.

What Happens With an Application for Deferred or Delayed Annuity?

Again, after the U.S. Office of Personnel Management receives your application, it will assign you a claim number, which will begin with the letters "CSA". This number will be very important to you as an annuitant because you will need to refer to it when you write or call OPM in connection with your annuity.

OPM will review your application and records of service on file at OPM and determine if all the information necessary to calculate the amount of your benefits is available. If not, we will request the missing information from the appropriate source. When we finish processing your application we will send you a statement explaining your benefits.

Direct Deposit of Annuity Checks

Public Law 104-134 requires all Federal employees who retire after July 26, 1996, to receive their payments by EFT if possible. You must be paid by direct deposit through Electronic Funds Transfer (EFT), unless you do not have a savings or checking account at a financial institution, and do not establish one, or have one established by an authorized agent. If you do not have an account and do not establish one, you must certify this in writing.

If your permanent address for receiving annuity payments is outside the United States, you cannot be paid by EFT, and no EFT election is required. Also, if your agency is participating in the Automated Interim Pay Project, no further EFT election is required for you as a retiree if your EFT account data will be transmitted, via magnetic tape, from your payroll records.

An EFT Information form can be obtained from your personnel office to certify where your EFT payments should be sent, or that you do not have a savings or checking account in any financial institution.

Having your payments sent directly to your bank or financial institution is both convenient and safe, and eliminates the possibility of lost or stolen checks. It also assures that payments are deposited and available for your use, even when you are away from home. When you use direct deposit, you will continue to receive other information at your mailing address. To have your payments sent to a bank or financial institution, complete the SF 1199A, Direct Deposit Sign Up Form. You can obtain the form where you bank. Both you and your bank need to complete the form or an EFT Information form, which you can obtain at your personnel office.

Also, when applying for deferred or delayed FERS benefits, use the RI 92-19, Application for Deferred or Postponed Retirement, and complete Section H, to have your payments sent to a financial institution or bank.

After retirement, OPM will accept information from you to establish and/or change Electronic Funds Transfer (EFT) accounts over the telephone. You may provide written notice of an EFT account or simply call OPM at 202-606-0500, 7:30 a.m. to 5:30 p.m. (Eastern Time). You should be ready to give your name as entered on your retirement identification card, claim number from the same card, social security number, date of birth, Direct Deposit (EFT) bank account number, the type of account, and the routing number and telephone number of the financial institution where the payment is to go.

Doing Business by Phone

In addition to changing your EFT account as described above, you can do a growing number of transactions by phone. Among them are making a change in your correspondence address, and making certain changes in your health benefits enrollment.

OPM has also recently instituted "Annuitant Express" which will allow you to do business with RIS by calling an 800 number if you have a CSA number and a touch tone phone. The number is 1-800-409-6528. The first functions that have been put on Annuitant Express are the ability to make changes in your Federal tax withholding for your CSRS or FERS annuity, and to request a duplicate tax statement. In the future, additional functions will be added to Annuitant Express.

How to Apply for a Refund of Contributions If You Are Not Eligible to Retire

You may apply for a refund of your retirement contributions if you have been separated from Federal service for at least 31 days (or have occupied a position not covered by CSRS or FERS for at least 31 days.) If you meet the eligibility requirements for a refund and want to apply for a return of your CSRS contributions, you should file an Application for Refund of Retirement Contributions, Standard Form 2802. If you are covered by FERS, use form SF 3106, Application for Refund of Retirement Deductions.

You should carefully follow the instructions on the application form to avoid delay in your payment. If you provide all of the information needed by OPM, we can authorize payment within 14 days of receipt of your application for refund. The preparation of your check by the Treasury, and mail delivery, will take an additional 7 to 10 days, so you should receive payment in approximately 3 weeks, if all information is provided. If we do not receive everything needed with your application, the normal processing time is increased by another 3 weeks, since we will have to contact you prior to payment. Be sure your application is complete. Many refund payments are delayed because of missing information.

The application forms are available from your agency or former agency and should be filed through that agency if you have been separated for less than 30 days. If you have been separated for more than 30 days, submit the form to the U.S. Office of Personnel Management, Civil Service Retirement System, Boyers, PA 16017-0200. Refund application forms can also be requested from this address.

If you are under FERS and have more than 1 year of service, interest on your contributions will be part of the refund. You should also review the rollover information sheet in PART IX of this booklet since it may affect taxes on any refund you apply for.

PART IX

Checklists, Worksheets, and Other Information

This part has --

1. A copy of Form RI 20-97 to request estimated earnings during military service

2. Severance pay computation worksheet

3. A checklist for employees who are preparing to retire

4. A checklist for health and life insurance for employees who plan to retire

5. The information sheet, "Rollover of Payments Under CSRS and FERS as an Alternative to 20 Percent Tax Withholding"

6. Information about other publications from the U.S. Office of Personnel Management

7. Instructions on accessing OPM's Mainstreet computer bulletin board

8. A special note on job placement assistance

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ESTIMATED EARNINGS DURING MILITARY SERVICE

INSTRUCTIONS: Use a separate RI 20-97 for each branch of service. Attach DD 214 or equivalent and any available records of pay or promotions. If you do not have a DD 214 or equivalent, obtain an SF 180 from your personnel office and have your service verified before forwarding this form to the pay center. The pay center cannot provide estimated earnings unless verification of service is attached.

To

Employee name (Last, First, Middle)	
Other names used	
Social Security Number	Date of birth
All military service numbers	
Branch of Service	

The uniformed services must provide estimated basic pay by Federal employees for military service after December 31, 1956, for the purpose of making a deposit to the Civil Service Retirement and Disability Fund for retirement credit. Please provide the estimated basic pay earned by the above named employee.

Signature of requester	Relationship to employee ☐ Employee is requester ☐ Other (Specify ☐ Survivor	Date

Active military service after December 31, 1956 (Dates indicated below must be based on DD 214 or equivalent certification		TO BE COMPLETED BY AUTHORIZED OFFICIAL Estimated Earnings (Base Pay) (Do not provide estimated earnings for any period of service prior to January 1, 1957.)				
From (Mo,Dy,Yr)	To (Mo,Dy,Yr)	From (Mo,Dy,Yr)	To (Mo,Dy,Yr)	Rate of Basic Pay	Earnings	Type of Discharge
					$	
					$	
					$	
					$	
					$	

1. If period of service began before and ended after December 31, 1956, enter date service actually began. (Mo,Dy,Yr)	2. Lost time ☐ None ☐ Number of days _____________ ☐ Inclusive dates ▸	From(Mo,Dy,Yr)	To(Mo,Dy,Yr)	From(Mo,Dy,Yr)	To(Mo,Dy,Yr)
Signature of authorized official furnishing estimate		Date(Mo,Dy,Yr)	Telephone number (Including Area Code)		
Typed name of authorized official		Title of authorized official			

Requester's name and address

◂ Return Completed Form to

RI 20-97

Send the Request for Earnings During Military Service to the appropriate address shown below.

Army	DFAS-Indianapolis Center ATTN: DFAS-IN-FJFC-A 8899 East 56th Street Indianapolis, IN 46249-0875 Phone (317) 543-7298
Navy	DFAS-Cleveland Center-FMCS 1240 East 9th Street Cleveland, OH 44199-2055 Phone (216) 522-5974
Air Force	DFAS-DE-FJY 6760 East Irvington Place Denver, CO 80279-3000 Phone (303) 676-7408
Marine Corps	DFAS-Kansas City Center/FBL 1500 E. 95th Street Kansas City, MO 64197-0001 Phone (816) 926-7652 Fax (816) 926-7648
Coast Guard	Commanding Officer (SES) Coast Guard Pay and Personnel Center 444 SE Quincy Street Topeka, KS 66683-3591
Public Health Service	Public Health Service Division of Commissioned Personnel Compensation Branch Parklawn Building, Room 4-50 5600 Fisher's Lane Rockville, MD 20857
National Oceanic and Atmospheric Administration	National Oceanic and Atmospheric Administration Department of Commerce Commissioned Personnel Office 11400 Rockville Pike, Room 105 Rockville, MD 20852

Reverse of RI 20-97

Severance Pay Computation Worksheets

The following are samples for use in ***estimating*** the amount of severance pay. The actual calculation formula is somewhat more complicated and technical. The samples are intended to allow you to figure the ***approximate*** amount of severance pay you may receive. OPM is not responsible for the accuracy of the results that this worksheet may give you. IF YOU WANT AN ACCURATE CALCULATION, PLEASE CONTACT YOUR SERVICING PERSONNEL OFFICE.

Severance Pay Estimation Worksheet

line 1. Salary at time of separation = _______________

line 2. Weekly Rate (line 1 divided by 52) = _______________

line 3. Years of Service (see A and B below)

A. If your length of service is LESS THAN 10 years, enter your length of service on line 3a.

B. If your length of service is MORE THAN 10 years:

(1) enter your length of service: . . . . __________

(2) subtract 10 from your length of service: . . . . . -10

(3) multiply the result by 2: . . . . __________

(4) add 10 to the amount listed in 3): . . . . +10

(5) enter this total on line 3a. This is the . . . . . . __________
factor for your adjusted years of service and tells you APPROXIMATELY the number of weeks of severance pay you would be entitled to.

line 3a. Adjusted Years of Service = _______________

line 4. Basic Severance Pay (multiply amount on line 2 by number on line 3--Adjusted Years of Service)= _______________

line 5. Age Adjustment Factor (if your age is above 40, look your age up on the "AGE TABLE AND FACTORS" chart. Enter the "factor" number shown.)

Age = _______ years and _______ months. Factor = _______

line 6. Multiply line 4 by line 5 Factor = _______________

* If line 6 exceeds line 1, enter amount on line 1 above.

The amount of severance pay will be $ _______________

Example of Severance Pay Estimation

line 1. Salary at time of separation = $73,619

line 2. Weekly Rate (line 1 divided by 52) = $1,415.75

line 3. Years of Service (see A and B below) 18

A. If your length of service is LESS THAN 10 years, enter your length of service on line 3a.

B. If your length of service is MORE THAN 10 years:

(1) enter your length of service: 18

(2) subtract 10 from your length of service: . . . . -10 8

(3) multiply the result by 2: 16

(4) add 10 to the amount listed in 3): . . . . +10

(5) enter this total on line 3a. This is the 26
factor for your adjusted years of service and tells you APPROXIMATELY the number of weeks of severance pay you would be entitled to.

line 3a. Adjusted Years of Service = 26

line 4. Basic Severance Pay (multiply amount on line 2 by number on line 3--Adjusted Years of Service) = $36,809.50

line 5. Age Adjustment Factor (if your age is above 40, look your age up on the "AGE TABLE AND FACTORS" chart attached. Enter the "factor" number shown.)

Age = 52 years and 0 months. Factor = 2.20

line 6. Multiply line 4 by line 5 Factor (36809.5 x 2.20) = $80,980.90

* If line 6 exceeds line 1, enter amount on line 1 above.

The amount of severance pay will be $73,619

AGE TABLE AND FACTORS

Yrs.	Mos.	Factor	Yrs.	Mos.	Factor	Yrs.	Mos.	Factor
40	3-5	1.025	48	6-8	1.850	56	9-11	2.675
40	6-8	1.050	48	9-11	1.875	57	0-2	2.700
40	9-11	1.075	49	0-2	1.900	57	3-5	2.725
41	0-2	1.100	49	3-5	1.925	57	6-8	2.750
41	3-5	1.125	49	6-8	1.950	57	9-11	2.775
41	6-8	1.150	49	9-11	1.975	58	0-2	2.800
41	9-11	1.175	50	0-2	2.000	58	3-5	2.825
42	O-2	1.200	50	3-5	2.025	58	6-8	2.850
42	3-5	1.225	50	6-8	2.050	58	9-11	2.875
42	6-8	1.250	50	9-11	2.075	59	0-2	2.900
42	9-11	1.275	51	0-2	2.100	59	3-5	2.925
43	0-2	1.300	51	3-5	2.125	59	6-8	2.950
43	3-5	1.325	51	6-8	2.150	59	9-11	2.975
43	6-8	1.350	51	9-11	2.175	60	0-2	3.000
43	9-11	1.375	52	0-2	2.200	60	3-5	3.025
44	0-2	1.400	52	3-5	2.225	60	6-8	3.050
44	3-5	1.425	52	6-8	2.250	60	9-11	3.075
44	6-8	1.450	52	9-11	2.275	61	0-2	3.100
44	9-11	1.475	53	0-2	2.300	61	3-5	3.125
45	0-2	1.500	53	3-5	2.325	61	6-8	3.150
45	3-5	1.525	53	6-8	2.350	61	9-11	3.175
45	6-8	1.550	53	9-11	2.375	62	0-2	3.200
45	9-11	1.575	54	0-2	2.400	62	3-5	3.225
46	0-2	1.600	54	3-5	2.425	62	6-8	3.250
46	3-5	1.625	54	6-8	2.450	62	9-11	3.275
46	6-8	1.650	54	9-11	2.475	63	0-2	3.300
46	9-11	1.675	55	0-2	2.500	63	3-5	3.325
47	0-2	1.700	55	3-5	2.525	63	6-8	3.350
47	3-5	1.725	55	6-8	2.550	63	9-11	3.375
47	6-8	1.750	55	9-11	2.575	64	0-2	3.400
47	9-11	1.775	56	0-2	2.600	64	3-5	3.425
48	0-2	1.800	56	3-5	2.625	64	6-8	3.450
48	3-5	1.825	56	6-8	2.650	64	9-11	3.475

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Checklist for Employees Who Are Planning to Retire

One Year or More Before Retirement

This checklist identifies important information you need in planning for retirement. Following through with the information gathering process and getting the answers to the questions stated will help lead to a successful retirement process.

Put an X by the statements that apply to you, write in the answers to relevant questions, and check off pertinent items when completed. This is your personal retirement planning worksheet.

	Check (X) When Completed
1. Determine when you will meet the age and service requirements for retirement.	_______
2. Choose a retirement date. If separating under FERS "MRA + 10" provisions (with age reduction), decide whether you wish to apply for annuity at separation or later to minimize or avoid reduction for age.	_______
3. Make an appointment with a retirement counselor in your personnel office to review your OPF.	_______
4. Together with your counselor, review your OPF and work with your counselor to complete the SF 2801-1 to assure official documentation of the following and to determine that the records in the OPF are sufficient verification of service for retirement purposes:	_______
a. A record of each of the periods of service you believe you had.	
b. The beginning and ending dates for each period of service.	_______
c. Effective dates for each promotion, for within-grade increases, or for other pay changes during any Federal service for which retirement deductions were not withheld from your salary or service that might fall into your high-3 average salary period. (If all pay changes during deposit service are not available, total earnings can be used.)	_______
d. Documentation of your tour of duty (60 hours/pay period, for example during any regular part-time appointment	

during (l) deposit service, (2) service taking place on or after April 7, 1986, or (3) any other service that might fall into your high-3 average salary period). For cases that receive credit as FERS service only, documentation of **all** tours of duty during any regular part-time appointments. _______

e. Record of the time you actually worked during intermittent or WAE ("when actually employed") service. _______

f. Copy of both sides of your military discharge paper and/or your DD 214, Military Discharge, record of military service. _______

g. Record of your current Federal health benefits enrollment on SF 2809, Health Benefits Registration Form, and SF 2810, Notice of Change in Health Benefits Enrollment. Do records show you have been covered long enough to allow you to continue health benefits as a retiree? If you were covered under your spouse's enrollment, or were covered under CHAMPUS, do the records show this? _______

h. Record of your current Federal life insurance coverage on SF 2817, Life Insurance Election. Do records show you have been covered long enough to allow you to continue basic and optional coverages as a retiree? _______

i. Your Designation of Beneficiary for life insurance (SF 2823), and Designation of Beneficiary for retirement contributions (SF 3102), if you filed either form, showing the person(s) you currently want designated. _______

NOTE 1: If you are in CSRS, your SF 2808, Designation for CSRS Retirement Contributions, is at OPM.

NOTE 2: If you transferred to FERS, any SF 2808 is no longer valid. You should complete a new SF 3102 if you have not already done so.

5. If you have a question concerning the creditability of a period of your service, ask for verification from the person assisting you. _______

Checklist for Employees Who Are Planning to Retire (Cont.)

6. If any necessary documentation is missing from the OPF, bring it to the attention of the person assisting you and request that the personnel office obtain the documentation. _______

7. Ask for information from Social Security Administration (SSA) about your future eligibility for Social Security benefits, and an estimate of the amount. Call **1-800-772-1213** at Social Security for form SSA-7004-PC. _______

    - As soon as you are within 2 to 3 months of age 62 (before or after retiring), contact SSA right away to decide when to apply for benefits. _______

8. Determine if the Social Security Windfall Elimination Penalty or the Government Pension Offset affects any Social Security benefits expected. ________

9. Request estimated annuity computations at this time if decisions need to be made on paying deposit or waiving military retired pay. ________

10. Decide whether to waive military retired pay, if applicable. ________

11. Deposits/Redeposits. Apply to make deposits for:

    - Post-1956 military service (to agency) ______
    - Redeposit (refunded) service (to OPM); find out how certain refunded service will be credited if you do not pay the redeposit. This may affect your decision whether or not to pay the redeposit. ______
    - Deposit service (to OPM); find out how service will be credited if you do not pay the deposit. This may affect your decision whether or not to pay the deposit. ______

12. Decide when and how to receive your Thrift Savings Plan funds. Arrange to pay off any TSP loans before retirement to avoid delay in receipt of TSP distributions. ______

Checklist for Employees Who Are Planning to Retire (Cont.)

TSP is managed by the Thrift Savings Board, not OPM. Questions about TSP payments should be addressed to:

Thrift Savings Plan Service Office
National Finance Center
P.O. Box 61500
New Orleans, LA 70161-1500

13. Request information about any pension from non-civil service employment (pension) that you might be eligible. (Will it affect your FERS or CSRS pension in any way?) _______

14. Do you receive any OWCP benefits? If you receive OWCP benefits, request information about their impact on your annuity. _______

Six Months Before Retirement

15. Decide when to send waiver of military retired pay. ______

    - Send the military finance center your waiver of military retired pay when 60 to 90 days before your retirement. _______

16. Clear up any financial indebtedness to your agency. If you don't, your agency can ask OPM to withhold the debt from your annuity. _______

17. Inform your supervisor of your proposed retirement date. _______

18. Ask your personnel office for forms that may require additional study and time to complete _______

Two Months Before Retirement

FERS Forms -- basic package of retirement forms for the employee to complete: _______

SF 3107 Application for Immediate Retirement.

SF 3107-2 Spouse's Consent to Survivor Election. (Only required if you do not elect the full survivor benefit for your current spouse.)

Checklist for Employees Who Are Planning to Retire (Cont.)

SF 2818 Continuation of Life Insurance Coverage.

SF 2817 If you do **not** want to continue all your optional life insurance into retirement, you should complete this form. The SF 2818 **cannot** be used to cancel life insurance.

Form TSP Any forms necessary for your election of Thrift Savings Plan disbursements.

CSRS Forms -- basic package of retirement forms for the employee to complete: _______

SF 2801 Application for Immediate Retirement.

SF 2801-2 Spouse's Consent to Survivor Election. (Only required if you do not elect the full survivor benefit for your current spouse.)

SF 2801-3 Election of Former Spouse Survivor Annuity or Combination Current/Former Spouse Survivor Annuity. (Only required if you wish to make this type of election.)

SF 2818 Continuation of Life Insurance Coverage.

Form TSP Any forms necessary for your election of Thrift Savings Plan disbursements.

RI 38-124 Voluntary Contributions Election. (Only required if you want a refund of your voluntary contributions.)

19. Complete the EFT Information/Certification Letter for Direct Deposit Sign-up or request from your bank or financial institution a Direct Deposit Sign-up Form (SF 1199A). (Either of these forms should be submitted with your retirement application.) **Note:** If your agency participates in the Automated Interim Pay Project or your permanent address is outside the United States neither form is required. _______

20. Complete the retirement application and all related forms. Sign your application. _______

21. Submit all forms and required documents to your supervisor/ administrative officer/personnel office. (Keep a copy for personal reference.) _______

Checklist for Employees Who Are Planning to Retire (Cont.)

When Your Personnel Office Notifies You

22. Review and sign SF 3107-1 or SF 2801-1, Certified Summary of Federal Service, that the personnel office has prepared. _______

23. Complete all customary agency exit procedures. _______

After You Retire

24. Send your initial Thrift Savings Plan forms directly to the TSP office. _______

Checklist for Health and Life Insurance Coverage for Employees Who Are Planning to Retire

1. What Federal Employees Health Benefits (FEHB) coverage do I currently hold?

   Plan Name ____

   Enrollment (Self Only/Family) ____

   Option (High/Low) ____

2. Am I eligible to continue my Federal Employee Health Benefits coverage as an annuitant? If not, am I eligible for Temporary Continuation of Coverage (TCC)?

3. Am I presently covered as a family member on my spouse's FEHB plan? Should I retain that coverage?

4. Am I presently covered by any other health benefits plan? Should I retain that coverage?

5. Are family members covered by my FEHB plan? Will they be adequately protected by other plans if I change my enrollment to Self Only coverage?

6. What is the monthly premium for my current coverage? $_________________________

7. Am I familiar with the features of my current plan? Should I switch to another plan during Open Season?

8. Am I eligible for Medicare at this time? What effect will Medicare have on my current coverage?

9. If I move out of the area covered by my HMO (or other limited service area plan), what do I need to do to change from one HMO to another plan servicing the new area?

Checklist for Health and Life Insurance Coverage (Cont.)

10. What Federal Employees' Group Life Insurance (FEGLI) coverage do I currently have?

    [ ] Basic -- Amount of Coverage $________

    [ ] Option A -- Standard -- Amount of Coverage $________

    [ ] Option B -- Additional

    How many multiples of pay? 1 2 3 4 5

    Amount of Coverage $_______

    [ ] Option C -- Family -- $5,000 for spouse and $2,500 for each child.

11. Am I eligible to continue my Basic life insurance coverage as an annuitant? Am I eligible to continue my optional insurance as an annuitant?

12. Have I decided what level of post age 65 Basic coverage I want (see SF 2818, Continuation of Life Insurance Coverage, for Basic life insurance; includes election regarding amount of post-retirement Basic life insurance)? Do I want to convert optional coverage(s) to avoid the reduction after age 65? Use SF 2819, Notice of Conversion Privilege, to apply for conversion (no medical examination is required).

13. Do I have enough monthly annuity to pay for all my health benefits and life insurance premiums?

14. Do I want to cancel some of my coverage at retirement? (Use SF 2817, Life Insurance Election, to cancel some life insurance options.) Ask your retirement counselor or agency representative to explain what happens and what effect it has when you carry all of your optional insurance into retirement.

ROLLOVER OF PAYMENTS UNDER CSRS AND FERS AS AN ALTERNATIVE TO 20 PERCENT TAX WITHHOLDING

Public Law 102-318, enacted July 3, 1992, amended the Internal Revenue Code regarding the payment of funds from qualified retirement plans. The Internal Revenue Service published temporary regulations implementing the new law on October 22, 1992. To be of service to our customers, the Office of Personnel Management has worked with the Internal Revenue Service to present a general explanation of how the new law affects those who receive our benefits. However, the IRS remains the authority on tax matters, and questions and requests for additional or clarifying information should be directed to them. The official tax publications that will govern how benefits are taxed are referenced at the end of the enclosed notice. OPM does not stock IRS publications. We cannot provide official tax information nor can we advise individuals on tax matters.

Basically, the law allows certain kinds of payments to be "rolled over" to another eligible retirement plan, including an Individual Retirement Arrangement (IRA). If not "rolled over," payments are subject to mandatory tax withholding. The new law affects payments received after December 31, 1992. The kinds of CSRS and FERS payments that can be rolled over include:

- The taxable portion (85 to 90 percent, generally) of lump sums paid as a result of an election of an alternative form of annuity (whether paid in one installment or two);

- The taxable portion (the one-time $5,000 employer death benefit exclusion may be applied to this amount) of the FERS basic death benefit, whether it is paid in a lump sum or in 36 installments; and

- Interest included in payments of employee contributions, including refunds paid to a former employee or survivor of retirement deductions, and/or voluntary contributions.

Additionally, to qualify for rollover treatment, the lump sum must be paid a qualifying payee, which includes the employee or former employee, his or her surviving spouse, or a former spouse under a court order that properly apportions benefits under CSRS or FERS law.

Under the new law, if any portion of a rollover eligible payment is paid to a former employee, surviving spouse, or former spouse, after December 31, 1992, it will be subject to 20 percent tax withholding. However, before payment is authorized,

Rollover Information (Cont.)

OPM will give the payee an opportunity to direct the payment, or a portion of the payment, to the trustee of an IRA or other qualified retirement plan, as a "rollover" under the tax law. These "direct rollovers" must be at least $500, or all of the taxable portion of the payment, if less than $500. Direct rollovers are not subject to the 20 percent withholding. When the taxable portion of a payment that would otherwise qualify for rollover treatment is less than $200, it is excluded from both the 20 percent withholding and the direct rollover option. OPM cannot refund the 20 percent withholding, once it has been withheld.

Enclosed is a copy of a model tax information notice. Because this notice is designed to meet the notice requirements of Internal Revenue Service regulations, its provisions are general and far reaching. Not every provision will apply to each payee.

It is not necessary for anyone who is applying for a benefit to indicate what he or she wants do about rollover when the application is submitted to OPM. When OPM receives an application from someone who is eligible to make a rollover, OPM will send the individual a tax information notice and an election letter.

Attachment: Special Tax Notice Regarding Rollovers, RI 37-22

Rollover Information (Cont.)

Special Tax Notice
Regarding Rollovers, RI 37-22

This notice contains important Federal income tax and other information you will need before you decide how to receive your lump-sum payment from the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). To be of service to our customers, the Office of Personnel Management has worked with the Internal Revenue Service to present a general explanation of how P.L. 102-318 affects those who receive our benefits. However, the IRS remains the authority on tax matters and questions. Requests for additional or clarifying information should be directed to them. The official tax publications that govern how benefits are taxed are referenced at the end of this notice. OPM does not stock IRS publications. We cannot provide official tax information nor can we advise individuals on tax matters. The following discussion applies to the **taxable** portion of your lump-sum payment.

Summary

A taxable payment from the Office of Personnel Management (OPM) that is eligible for "rollover" can be paid in one of two ways. You can have **all or any part** of your payment either (1) paid in a "direct rollover" or (2) paid to you. A rollover is a payment of the taxable portion of your CSRS or FERS benefit to your individual retirement arrangement (IRA) or to another employer retirement plan. This choice will affect the tax you owe.

If you choose a **direct rollover** of the taxable portion --

- Your payment will not be taxable income in the year it is paid, and no income tax will be withheld.

- Your payment will be made directly to your IRA or, if you choose, to another employer retirement plan that accepts your rollover.

- Your payment will be taxable income later when you take it out of the IRA or the employer retirement plan.

If you choose to have the taxable portion of your benefit **paid to you** --

- You will receive only 80 percent of the payment, because OPM is required to withhold 20 percent of the payment and send it to the Internal Revenue Service as income tax withholding to be credited against your taxes.

- Your payment will be taxed in the year it is paid unless you roll it over. You may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59-1/2, you also may have to pay an additional 10 percent tax.

- You can roll over the payment by paying it to your IRA or to another employer retirement plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the IRA or employer retirement plan.

- If you want to roll over 100 percent of the payment to an IRA or an employer retirement plan, you must find other money to replace the 20 percent that was withheld. We cannot refund the 20 percent once it has been withheld. If you roll over only the 80 percent you receive, you will be taxed on the 20 percent that was withheld and that is not rolled over.

MORE INFORMATION

I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Certain payments from the OPM are "eligible rollover distributions." This means they can be rolled over to an IRA or to another employer retirement plan that accepts rollovers. In general, only the "taxable portion" of your payment is an eligible rollover distribution. Information on the portion of your payment that is eligible for rollover is enclosed. The following types of payments cannot be rolled over:

Non-taxable Payments. In general, the non-taxable portion of your payment is not an eligible rollover distribution. If you have made "after-tax" employee contributions, these contributions will be non-taxable when they are paid to you, and they cannot be rolled over. (After-tax employee contributions generally are contributions you made from your own pay that was already taxed.)

Payments Spread Over Long Periods. You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for

- your lifetime (or your life expectancy), or
- your lifetime and your beneficiary's lifetime (or life expectancies), or
- a period of ten years or more.

Required Minimum Payments. Beginning in the year you reach age 70-1/2, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you. **You must compute and exclude this amount from a direct rollover if you will be age 70-1/2 or older when the payment is made.**

II. DIRECT ROLLOVER

You can choose a direct rollover of all or any portion of your payment that is an "eligible rollover distribution" as described above. In a direct rollover, the eligible rollover distribution is paid directly from OPM to an IRA or another employer retirement plan that accepts rollovers (or is sent to you in a check made payable to the IRA or other retirement plan). If you choose a direct rollover, you are not taxed on a payment until you later take it out of the IRA or the employer retirement plan. OPM will not pay a direct rollover or withhold tax on taxable payments under $200, but recipients themselves may roll over such payments tax free within 60 days after receipt. The minimum direct rollover amount is $500 if you designate part of your payment as a direct rollover with the remainder payable to you. OPM will pay a direct rollover to only one IRA or retirement plan at any one time.

Direct Rollover to an IR A. You can open an IRA to receive the direct rollover. (the term "IRA," as used in this notice, includes individual retirement accounts and individual retirement annuities.) If you choose to have your payment made directly to an IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to an IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish an IRA to receive the payment. However, in choosing an IRA, you may wish to consider whether the IRA you choose will allow you to move all or part of your payment to another IRA at a later date, without penalties or other limitations. See IRS Publication 590, **Individual Retirement Arrangements,** for more information on IRA's (including limits on how often you can roll over between IRA's).

Direct Rollover to an Employer Retirement Plan. If you are employed by a new employer that has a retirement plan and you want a direct rollover to that plan, ask the administrator of that plan whether it will accept your rollover. An employer retirement plan is not legally required to accept a rollover. If your new employer's retirement plan does not accept a rollover, you can choose a direct rollover to an IRA.

Direct Rollover of a Series of Payments. If you receive eligible rollover distributions that are paid in a series of less than 10 years, your choice to make or not make a direct rollover for a payment will apply to all later payments in the series unless you change your election. You are free to change your election for any later payment in the series by contacting OPM.

III. PAYMENT PAID TO YOU

If you have the payment made to you, it is subject to 20 percent Federal income tax withholding. The payment is taxed in the year you receive it unless, within 60 days after receiving it, you roll it over to an IRA or another plan that accepts rollovers. If you do not roll it over, special tax rules apply.

Mandatory Federal Income Tax Withholdin g. If any portion of the payment to you is an eligible rollover distribution, OPM is required by law to withhold 20 percent of that amount. This amount is sent to the IRS as income tax withholding. For example, if your eligible rollover distribution is $10,000, only $8,000 will be paid to you because OPM must withhold $2,000 as income tax. However, when you prepare your income tax return for the year, you will report the full $10,000 as a payment from OPM. You will report the $2,000 as tax withheld, and it will be credited against any income tax you owe for the year.

Sixty-Day Rollover Option. If you have an eligible rollover distribution paid to you, you can still decide to roll over all or part of it to an IRA or another employer retirement plan that accepts rollovers. If you decide to roll it over, **you must make** the rollover **within 60 days after you receive the payment**. The portion of your payment that is rolled over will not be taxed until you take it out of the IRA or the employer retirement plan.

You can roll over up to 100 percent of the eligible rollover distribution, including an amount equal to the 20 percent that was withheld, If you choose to roll over 100 percent, you must find other money within the 60-day period to contribute to the IRA or the employer retirement plan to replace the 20 percent that was withheld. On the other hand, if you roll over only the 80 percent that you received, you will be taxed on the 20 percent that was withheld.

Example: Your eligible rollover distribution is $10,000, and you choose to have it paid to you. You will receive $8,000, and $2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the $8,000, you may roll over the entire $10,000 to an **IRA** or employer retirement plan. To do this, you roll over the $8,000 you received from OPM, and you will have to find $2,000 from other sources (your savings, a loan, etc.). In this case, the entire $10,000, is not taxed until you take it out of the IRA or employer retirement plan. If you roll over the entire $10,000, when you file your income tax return you may get a refund of the $2,000 withheld.

If, on the other hand, you roll over only $8,000, the $2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the $2,000 withheld. (However, any tax refund is likely to be larger if you roll over the entire $10,000.)

Additional 10 Percent Tax If You Are Under Age 59-1/2. If you receive a payment before you reach age 59-1/2 and you do not roll it over, in addition to the regular income tax, you may have to pay an extra tax equal to 10 percent of the taxable portion of the payment. The additional 10 percent tax does not apply to your payment if it is (1) paid to you because you separate from service with your employing agency during or after the year you reach age 55, (2) paid because you retire due to disability (as determined by IRS), (3) paid to you as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives of life expectancies), or (4) used to pay certain medical expenses. See IRS Form 5329, **Return for Additional Taxes...,** for more information on the additional 10 percent tax.

Special Tax Treatment. If your eligible rollover distribution is not rolled over, it will be taxed in the year you receive it. However, if it qualifies as a "lump-sum distribution," it may be eligible for special tax treatment. A lump-sum distribution is a payment within 1 year, of your entire balance under CSRS or FERS that is payable to you because you have separated from service with your agency. For a payment to qualify as a lump-sum distribution, you must have been a participant under CSRS or FERS for at least 5 years. The special tax treatment for lump-sum distributions is described below.

Five-Year Averaging. If you receive a lump-sum distribution after you are age 59-1/2, you may be able to make a one-time election to figure the tax on the payment by using "5-year averaging." Five-year averaging often reduces the tax you owe because it treats the payment much as if it were paid over 5 years.

Ten-Year Averaging If You Were Born Before January 1, 1936. If you receive a lump-sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "10-year averaging" (using 1986 tax rates) instead of 5-year averaging (using current tax rates). Like the 5-year averaging rules, 10-year averaging often reduces the tax you owe.

Capital Gain Treatment If You Were Born Before January 1, 1936. In addition, if you receive a lump-sum distribution and you were born before January 1, 1936, you may elect to have the part of your payment that is attributable to your pre-1974 participation under CSRS or FERS (if any) taxed as long-term capital gain at a rate of 20 percent.

There are other limits on the special tax treatment for lump-sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump-sum distributions that you receive in that same year. If you have previously rolled over a payment from OPM, you cannot use this special tax treatment for later payments from OPM. If you roll over your payment to an IRA, you will not be able to use this special tax treatment for later payments from the IRA. Also, if you roll over only a portion of your payment to an IRA, this special tax treatment is not available for the rest of the payment. Additional restrictions are described in IRS Form 4972, which has more information on lump-sum distributions and how you elect the special tax treatment.

IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are "alternate payees." You are an alternate payee if your benefit results from an order issued by a court, usually in connection with a divorce or legal separation. Some of the rules summarized above also apply to a deceased employee's beneficiary who is not a spouse. However, some exceptions for payments to surviving spouses, alternate payees, and other beneficiaries should be mentioned.

If you are a surviving spouse, you may choose to have an eligible rollover distribution paid in a direct rollover to an IRA or paid to you. If you have the payment paid to you. you can keep it or roll it over yourself to an IRA, but you cannot roll it over to an employer retirement plan. If you are an alternate payee, you have the same choices as the employee. Thus, you can have the payment paid as a direct rollover or paid to you. If you have it paid to you, you can keep it or roll it over yourself to an IRA or to another employer retirement plan that accepts rollovers. If you are a beneficiary other than a surviving spouse or alternate payee, you cannot choose a direct rollover, and **you cannot** roll over the payment yourself.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is not subject to the additional 10 percent tax described in section III above, even if you are younger than age 59-1/2.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump-sum distributions, as described in section III above. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump-sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of service under CSRS or FERS.

HOW TO OBTAIN ADDITIONAL INFORMATION

This notice summarizes only the Federal (not State or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with a professional tax advisor before you take a payment of your benefits from OPM. Also, you can find more specific information on the tax treatment of payments from qualified retirement plans in IRS Publication 575, **Pension and Annuity Income,** IRS Publication 590, **Individual Retirement Arrangements,** and IRS Publication 721, **Tax Guide to U.S. Civil Service Retirement Benefits.** These publications are available from your local IRS office or by calling 1-800-TAX-FORM.

Brochures

The Retirement and Insurance Service has a number of different publications about different aspects of your retirement, FEHB, and FEGLI coverage. For example, our "Retirement Facts" series provides information on the Civil Service Retirement System, including military service credit, deposits and redeposits, disability retirement, early retirement, computing retirement benefits, and other topics. There is also a general FERS pamphlet, and information on separation and reemployment. Your personnel office should have these pamphlets available, or may be able to download them from OPM's MAINSTREET Bulletin Board.

Accessing OPM's Mainstreet Computer Bulletin Board

The telephone number to access OPM MAINSTREET is 202-606-4800. Your communications software should be set to the following:

Baud: Up to 14,400
Parity: None
Data bits: 8
Stop bit: 1

The information is available from the main menu. Follow the instructions below

Select

(1) Forums: Areas of Special Interest
then
(A) Retirement and Insurance Service
then
(A) For Benefits Administration
then
Look for your particular interest.

SPECIAL NOTE ON JOB PLACEMENT ASSISTANCE

For information on reduction in force and resources that are available to help employees find other jobs, see the "Employees' Guide to RIF Separation Benefits" and the "Employees' Guide to Career Transition". You can call the U.S. Office of Personnel Management's Career Transition Hotline on 202-606-2425 to order free copies. These guides are also available through the Downsizing and Career Transition Forums of OPM's MAINSTREET electronic bulletin board.

You also should know that interim regulations that became effective on February 29, 1996, provide that agencies must:

- Establish programs to give displaced and surplus employees new resources to find other jobs.
- Increase the help agencies provide employees in obtaining new employment.
- Expand efforts of assistance including developing skills and resources for finding vacancies in the Federal Government as well as for jobs in the private sector.
- Move from passive centralized inventory (IPP) to a more active process where employees target specific positions for which they are well qualified, and apply directly to the agency.
- Provide selection priority to surplus and displaced employees for internal agency competitive service vacancies.
- Provide selection priority to Federal displaced employees for competitive service vacancies when recruiting from outside their own workforce.

You should contact your personnel office concerning your agency program.